

Current History

A WORLD AFFAIRS MONTHLY

JANUARY, 1975

LATIN AMERICA, 1975

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Current History

JANUARY, 1975

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In this issue seven articles focus on recent events in Latin America. In our introductory article, David Jordan points out that "if Argentina's collectivism cannot be tempered, if Argentina's ideologies cannot be moderated and if Argentina's terrorism cannot be abated, the nation will apparently continue to have both authoritarianism and anarchy."

Authoritarianism and Anarchy in Argentina

BY DAVID C. JORDAN

Professor of Government, University of Virginia

ARGENTINA IS FACING fundamental political and economic questions for the first time in 30 years without the active intervention of the nation's greatest political leader of the twentieth century, Juan Domingo Perón. Although Perón died on July 1, 1974, the fundamental questions of Argentine politics and his legacy continue to interact and are likely to do so for the foreseeable future. The questions (and their answers) are mixed, and the outcome of their interconnection is still unfolding. The questions are: (1) whether the Argentine polity will continue its march toward collectivism and authoritarianism, (2) whether—or to what degree—disorder and ideological schisms will continue to plague the nation under Perón's widow, now the nation's President, Mariá Estela Martínez de Perón—Isabel, and (3) whether or not violence and terrorism will be contained. The Peronist legacy contributes part of the problem and an alternative solution to these questions.

Perón's access to the seat of power came as a result of a military coup d'état in June, 1943, that ousted President Ramon Castillo. In the new regime, Perón soon became a most powerful figure because he held two key posts: Undersecretary of War and the Secretariat of Welfare and Labor. His marriage to the glamorous, magnetic and young María Eva Duarte—an actress and star of a soap opera radio program who

died six years later of cancer—added to his ability to attract popular support. Eva Perón's effective campaigning brought Perón intense mass support from the poor and the working class. Perón was elected twice, in 1946 and 1952, before he was ousted in a coup d'état in 1955. Exiled, Perón nonetheless engineered his return over an 18-year period by demonstrating his continuing hold on a large number of Argentines, by gaining the church's support despite its earlier hostility, by exploiting Marxist theories of insurgency, by mastering Argentina's electoral system for the March, 1973, elections and, finally, by inducing the military to acquiesce in his return.¹

Perón's two eras of rule in Argentina (1946–1955 and 1973–1974) mark the acceleration and consolidation of the nation's modern historic tendency toward collectivism and authoritarianism. At the end of World War II, Argentina's holdings of foreign currency and gold were unmatched in Latin America. On the other hand, Argentina's productive plant had deteriorated during the war because of the lack of investment and technological innovation. Practicing the activity and rhetoric of democratic socialism and economic nationalism, Perón's government bought up foreign-owned but sometimes undercapitalized and technologically backward companies with his nation's precious foreign exchange. In addition, a major increase in the nation's domestic debt developed because of Perón's headlong efforts at industrialization and domestic welfare schemes (he put through Congress

¹ For a discussion of Perón's return, see David C. Jordan, "Perón's Return, Allende's Fall and Communism in Latin America," *Orbis*, vol. 17, no. 3 (fall, 1973), pp. 1025–1052.

thousands of public work projects—schools, houses, vacation resorts for the workers and the elderly, dams, hospitals and the like).

Instead of encouraging investment in agriculture, where Argentina had a worldwide competitive advantage, Perón pushed industrialization and accelerated benefits for industrial workers, whose wages went up far more rapidly than their productivity. In the process, Perón gained the enduring loyalty of Argentina's workers, but he also accustomed the nation to the difficult course of development through inflation. Printing money to cover deficits became habitual and so did inflation. Private enterprises floundered and the state took over more of the economy. Labor elites, government bureaucrats and the officer class of the armed forces—particularly the army—became dominant in the nation's increasingly collectivized economy.

When Perón returned to power in 1973 with Isabel, his third wife, as Vice President and heir to the presidency, the consolidation of the collectivist state was near reality. According to the Argentine German language daily, *Argentinisches Tageblatt*, state-owned enterprises accounted for 54 percent of the nation's top 25 companies in 1972 dollar sales, 36 percent of the top 100, and 32 percent of the top 200. When government-protected private monopolies like Alvar, the aluminium complex at Madryn, are added to the state enterprises, the statist industry probably makes up nearly 50 percent of the economy. In addition to state ownership, the government regulates and administers prices, interest rates, salaries, production quotas, credits, and exchange rates, and authorizes the initiation of new advertising campaigns.

Under Isabel Perón, Argentina may well continue her commitment to collectivism and the inevitable authoritarianism associated with statism. Perón is supporting a new program for the centralization of the financial policies of the state enterprises under the direction of the Corporation of State Enterprises (Corporación de Empresas del Estado). All the budgets of the provinces combined are estimated as not equaling the economic power of this corporation. Nationalism continues to fuel collectivization as evidenced by the new law preventing private oil companies from selling products under their own brand names.

PERON'S FOREIGN POLICY

The thrust for authoritarianism and collectivism comes also from the legacy of Perón's foreign policy. During the early years of Perón's first era in power, Perón believed that a third world war was imminent. Fearing both Moscow and Washington, he argued that, to survive, Argentina must be self-sufficient economically and maintain correct but distant relations with both superpowers. With the passing years, Perón's belief in the inevitability of world war faded,

but he retained the political style of nonalignment. This foreign policy, the Third Position, fit Argentine nationalism and fostered Argentina's imperial dreams of prestige, power and influence in Latin America.

Today, on the domestic side, this traditional nationalism appeals to the anti-American left. Paradoxically, it encourages United States cooperation with Buenos Aires, even as the government sends missions to Moscow, confirms sales and credit arrangements with Cuba, and makes overtures to Peking. On the foreign side, this nationalism may undercut Communist support for the nation's Marxist terrorists, as Communist states find that the benefits of correct relations outweigh prospective gains from revolution and subversion. Cuba, in any case, seems to have welcomed the *apertura* afforded by Argentina's nationalist policy. The overall impact of the nationalist foreign policy continues the thrust toward the authoritarian and collectivist state.

IDEOLOGICAL SCHISMS AND DISORDER

The traditional ideological conflict that divides Argentina across class and regional lines and spurs conflict, disorder, and military coups has ranged the conservative-liberals against the nationalist-populists. Within the ideological lines, there are left, right and center divisions. Perón developed his political appeal in the framework of the nationalist-populist tradition. The Radical party (the second major political force in the country and a generally middle-class party) has usually provided Perón with the most substantial popular opposition and, like Peronism, is in the nationalist-populist tradition. Particularly during elections, Perón demonstrated that he was the master at holding the extremes of the nationalist-populist spectrum in his camp while outbidding the Radicals for the center. Right-wing nationalists moved against him in 1955 and joined conservative-liberal opponents in ousting him. In 1973–1974, left-wing nationalists were openly critical of Perón and, in militant defiance of his policies, were joining Marxist extremists outside both of the nation's historic ideological traditions. Mario Firmenich, leader of the Montoneros, the extreme left-wing Peronist group, said before Perón's death: "We believe that at this stage General Perón is pushing the wrong policy, which leaves hegemony within the government to the grand bourgeoisie, which disorganizes the people and which confuses Peronists."

Isabel, Perón's widow, inherited the burden of managing these political schisms and the nation's economic problems. Many observers doubt that she can manage the affairs of the nation. Her background as a dancer, her sixth-grade education, and her less than Evita-like personality are cited as reasons that she will neither prevail over nor survive the rigors of Argentine politics. But Isabel is showing unusual political skill and a sense of responsibility that those who wish Ar-

gentina well can only welcome. She has moved decisively to "Peronize" the labor unions, which means that she has backed the ousting of the extremists, particularly the leaders of the so-called combative unions in Córdoba. She has also initiated measures to restore an educational mission to the universities, which means that she has authorized the removal of the extreme left-wing Peronist and Marxist deans of the various facilities.

Orthodox Peronism gives great importance to labor leaders who cooperate with the nation's major labor organization, the General Confederation of Labor (the CGT). By moving against the CGT's opponents in Córdoba and elsewhere, Isabel is striking not only at the extreme left within Peronism but also at Marxists aided from abroad. A good deal of Marxist terrorism was directed at the anti-Soviet, orthodox Peronist leaders in the CGT in order to remove the key elites of the principal organized group supporting the government.

In May, 1974, most of the nation's universities fell into the hands of the extreme left: militant left-wing administrators and the left-wing student University Federation for National Liberalization (FULNBA). The students controlling FULNBA were Montoneros, the Peronist University Youth (JUP), radicals of the left-wing Alfonsín line, and the Communists of MOR (Movimiento de Orientación Reformista). By moving against the left-wing university administrators, Isabel is starting to deprive these extremists of their principal source of recruits. In addition, she has committed herself to clause five of the university law which prohibits political activity on university grounds.

Isabel still retains the support of the military. After Perón's death, the armed forces joined the CGT and the political parties in offering verbal support to the new President. Support comes not only from the top officer class but apparently also from an important clique of Peronist colonels led by Colonel Vicente Damasco. Civilianists hope that the substantial group of officers committed to professionalism will keep the army and other services out of politics. Nonetheless, there are reports of officers favoring various sectors opposing the Isabel government.

Economic policy remains the key to the government's long-term success. In a highly collectivized state like Argentina, control of inflation is essential to prevent the weakening of the social structure and to reduce subversive tendencies. However, monetary and fiscal policies are difficult to employ to combat inflation because tight credit hurts the business of the state enterprises and increasing taxes undermine popular support. Instinctively, the collectivist state opts for easy credit to stimulate business and increased government spending to reduce unemployment; but if inflation must be met head on, the remedy most appealing to collectivist economists is wage and price

controls. Perón's legacy to Isabel is a wage and price control agreement, the social pact. But the social pact is coming unstuck as labor finds its rank and file unhappy with it. The government has reported that this plan for wage and price controls, signed by the CGT and CGE (the General Economic Confederation—an organization representing most of the state enterprises), has reduced inflation; however, numerous nongovernment economists argue that substantial hidden inflation can be perceived in the black market, in the shortages of goods, and in the growing budget deficit of the government that some have estimated at as much as 30 percent for 1974. The political result of renewed inflation is likely further to radicalize Argentina's middle class, from which most of the nation's terrorists are recruited. In a collectivist-syndicalist state like Argentina, inflation hits the middle class hardest. Labor can keep up with rising prices by means of government-aided wage adjustments, and state enterprises can survive higher wages with price rises in a monopoly situation, but the unorganized middle class finds itself vulnerable. Unfortunately, the defeat of the terrorist problem may be short-lived if pressure continues on the middle class. Opposition leaders and elites within the government coalition sense this already and reveal the uncooperativeness and opportunism so long characteristic of political behavior in Argentina. At the time of writing, it apparently will not be easy to remove violence and terrorism from the Argentine scene.

ANARCHY, VIOLENCE AND THE TERRORIST SPECTRUM

Violence has been symptomatic of the underlying tensions, contradictions and rivalries in Argentine society for many years. During Perón's lifetime, the struggle for power in Argentina was constant, bitter and deadly. Perón perceived his ouster from power in 1955 as completely illegitimate, and he argued his case in his brief book, *La Fuerza es el Derecho de Las Bestias*. He turned to the organization of armed terrorist groups to help him return to power. Borrowing Lenin's conception of the utility of well-trained revolutionists who obey political direction, Perón's agents recruited young people from the universities to commit politically motivated robberies, murders and kidnappings. Again like Lenin, Perón justified his movement, Peronism, in its militant phase, in the context of imperialism, but unlike Lenin, Perón was opposed to Communist as well as to capitalist imperialism. In his return to power, Perón was willing to cooperate with Marxist terrorists and he and his followers did so.

The most famous of the Communist terrorist groups that cooperated with Perón was ERP (the People's Revolutionary Army). ERP moved against Perón almost immediately after his return in June, 1973. In-

deed, ERP had planned to oppose him even while helping him return. Essentially serving extra-hemispheric interests, ERP leaders have repeatedly announced their ties to other Communist terrorist groups like the MIR (Movement of the Revolutionary Left) of Chile, the ELN (the Army of National Liberation of which ERP was once a part) of Bolivia, and the Tupamaros (the name is derived from the rebellious Peruvian Inca leader Túpac Amaru) of Uruguay. Receiving outside political advice from the Revolutionary Party of Workers headquarters in Paris and co-operating through their committee of Revolutionary Coordination (Junta de Coordinación Revolucionaria), these four terrorist organizations operate throughout the southern cone of South America.

ERP has three types of organizations: cells of the masses, designed to deal with political questions; cells of combat, designed to carry out armed operations; and cells of propaganda, designed to implement ideological objectives. Since Perón's death, ERP has undertaken numerous dramatic and imaginative armed operations including assaults on the military base defending a provincial capital, Catamarca, and a military munitions factory.² The *raison d'être* for the violence of these terrorists, who are followers of Marx and Lenin rather than Perón, is their claim to be representatives of universal history and an inevitable destiny. Leaders of the Peronist CGT describe these guerrillas as:

a minute group of social drop-outs who chose the road of organized crime . . . tools of reactionary forces who by means of creating chaos, want to produce the climate of opinion required to open up the way for counterrevolutionaries who want an excuse for a coup d'état and who are lying in wait, egged on by persons in the country and outside it.³

Unlike Marxist terrorism, left-wing Peronist violence has a particular logic with limited applicability, be-

² Further ERP activities were: the kidnapping of Antonio Vallocchia, chief industrial officer of Swift who was charged with the unjustifiable dismissal of 42 workers, the assassination of Roberto Kleber, the executive in charge of labor relations of IKA-Renault, the murder of the Brazilian industrialist Jorge Wahelich, the assassination of two army officers, Captain Miguel Paiva and Major Jaime Jimeno, and many others. ERP's attack on the munition factory, Villa María in Córdoba, was a great success, but its assault on the Catamarca base was its greatest failure to date.

³ *Review of the River Plate*, vol. 156, no. 3900 (August 31, 1974), p. 360.

⁴ Aramburu affirmed that he had had nothing to do with the execution of Valle and that at the time Valle was shot he (Aramburu) was in Rosario.

⁵ Aramburu informed his abductors that the body of Eva Perón was in a Roman cemetery under a false name and under Vatican custody, and that the documentation regarding the episode was kept in a strong box in the Central Bank filed under the name of Colonel Cabanillas. Recently, Aramburu's cadaver was stolen from his family's crypt.

⁶ The Revolution Libertadora refers to the military and civilian movement which ousted Perón in 1955.

cause it is justified in terms of one of Argentina's nationalistic ideologies: the nationalist-populist. Nationalistic terrorists, these left-wing Peronists look inward to Argentine traditions and away from universal standards or prophetic historicism. Unconscious followers of Savigny's folk-right, their concept of right is derived from a particular people's sense of justice in view of its special conditions, interests and development. Since Perón's death, Mario Firmenich, leader of the Montoneros, the most famous left-wing Peronist terrorist group, has announced that his followers will openly oppose Isabel's government. These terrorists justify their turning against Perón's widow, now in the presidency, in the context of Argentina's ideological schisms, Perón's legacy, and the nation's most sensational political murder.

On September 3, 1974, in the Peronist magazine *La Causa Peronista*, Mario Firmenich and Norma Arrostito wrote an article detailing the kidnap-murder of Argentina's leading conservative-liberal, General Pedro Eugenio Aramburu, who had played a key role in Perón's fall in 1955, and who served as provisional President from 1955 to 1958. In great detail, the young assassins recounted how they set up and carried out the Aramburu abduction; how they judged (*el juicio*) the retired general slowly and carefully "because we did not want to pressure him nor intimidate him"; how they charged Aramburu with the execution of General Valle, the leader of a Peronist uprising, in June, 1956;⁴ how they compelled him to reveal the location of the cadaver of Eva Perón;⁵ and how they killed him because of what they were afraid he was going to do. Although during his interrogation he denied that he was preparing a military coup, Aramburu reportedly declared that the Onganía-led military regime "would not work any more and that only a transition government—which he thought he was prepared to lead—could save the situation." Aramburu's kidnappers feared such a solution because "the project of Aramburu to replace the corporativist regime of Onganía was the most dangerous politically"; by killing him, they were "exercising revolutionary justice against the most intelligent of the leaders of the (Revolution) Libertadora."⁶

Aramburu's kidnapping-assassination was publicly detailed more for political reasons than as a mere *ex post facto* justification of the execution. In justifying Aramburu's assassination, the kidnappers pointed out

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"The liberalization . . . of Brazil's authoritarianism has inevitably set off a chain of pressures and counter-pressures on the government. Having built an expanding economy, the Brazilian government began to induce civilian support for its program."

Brazil's Pragmatic Nationalism

BY EUL-SOO PANG

Assistant Professor of History, Vanderbilt University

THE MAJOR CHALLENGE of the Ernesto Geisel administration (1974–1979) is to find a viable way to sustain the 10 percent gross domestic product (GDP) growth rate in these times of worldwide energy crisis and stagflation, while at the same time taking bold steps to broaden the political bases of the regime, eventually restoring political democracy. Such a task is not easy, but the Geisel administration is determined to maintain continued economic growth, even at the cost of substantial alteration in domestic and foreign policies. The year 1974 should be remembered not only as the end of the first 10 years of military rule that began in April, 1964, but also as the point of departure for a new era of pragmatic nationalism and the "gradual decompression" of authoritarianism in favor of a more relaxed and liberal political order.

The expanding role of the military in economic, and therefore political, decision making was initiated during the first term of Getúlio Vargas in the 1930's and the 1940's; since then, military leaders have found it difficult to extricate themselves completely from national politics. In the decades of the tumultuous 1950's and the anarchic 1960's, the military frequently ventilated its opposition either collectively or individually toward various governmental policies; when such measures proved inadequate by 1964, military leaders intervened by overthrowing the João Goulart regime. In no time in the history of Brazil has the military been confronted with a more important question than in 1975—the oil crisis that threatens to undo the very bases on which the much admired 10 percent GDP growth rate was built. In 1974, Brazil expected to run a deficit of US\$7 billion on her current account, principally because of the over 400 percent rise in the price of oil.

In view of such a substantial increase in the energy bill, Brazil was forced to reconsider all aspects of her development policies, from her traditional pro-Israel foreign policy to her oil exploration practices of granting service contracts to foreign, principally United States, firms.

The question of oil exploration was legally settled when Vargas passed the celebrated Law 2.004 in 1953, making oil a state monopoly. But the lack of technology and capital has forced Brazilian governments since Vargas to bring in foreign firms to participate in petroleum development, thus failing to enforce Law 2.004. Oil is the single issue that unites the diverse economic and social sectors of differing philosophical persuasions, including the two political parties, the government party Aliança Renovadora Nacional (ARENA) and the opposition party Movimento Democrático Brasileiro (MDB). Due precisely to the importance of oil in the national economy, the Geisel government has slowly been pressured into taking a new, more nationalistic, independent foreign policy stance, thus substantially differing with the United States on many issues. In this attempt to carve out a new place for Brazil in international politics, the technocrats and generals are solidly united to make their policies work. Brazil's voice is now heard worldwide.

The man who has the historic mission of leading Brazil on a new pragmatic nationalist course is President Ernesto Geisel. A career soldier of German descent, Ernesto was born in Bento Gonçalves, Rio Grande do Sul, a predominantly Italian colony. The fifth and youngest child of Augusto Geisel, the town notary public, and Lídia Beckman, Ernesto was somewhat of a loner, removed from his brothers by age, except for Orlando, with whom he attended a military academy in Porto Alegre. In the early 1930's, Ernesto served the Vargas government as the Secretary of Finance in Paraíba and later as the Secretary of the Interior in Rio Grande do Norte, both poverty-stricken northeastern states. During World War II, Ernesto attended the United States Army General Staff and Command School in Kansas, and after the war, he served as a military attaché in Uruguay.

General Ernesto Geisel was subsequently one of the founders and philosophical architects of the Brazilian War College (Escola Superior de Guerra-ESG) along with Marshal Juarez Távora and General Golbery do

Couto e Silva, the latter now serving as the chief of the civil household of the Geisel presidency. Active in the politico-military movement of the nationalistic *Cruzada Democrática* of the 1950's, Ernesto Geisel served on the military staff of the Café Filho presidency in the mid-1950's. Thus by 1964, Geisel was one of the mainstream "Sorbonne" group, so nicknamed because of its intellectual and nationalist approach to the problems of Brazil then advocated by the staff, students, and political supporters of the ESG. After the revolution of 1964, the nationalist officers trained by the ESG had the opportunity to influence the government. At this time, Castelo Branco picked Geisel as his chief of the military staff, thus elevating him to the position of ideological heir among the Sorbonne group and the officer corps.

By 1967, however, Geisel's political star was on the wane. Over the succession question, Geisel opposed the candidacy of Minister of War Artur da Costa e Silva, a fellow *gaúcho* but not an ideological comrade. The election of Costa e Silva forced Geisel to retire from active duty; he was subsequently named to the military supreme court, a hallowed but powerless organ. The passage of Institutional Act No. 5, which gave dictatorial power to Costa e Silva in 1968 and the President's stroke changed Geisel's career.

Late in October, 1969, President-designate General Emílio Garrastazu Médici invited Ernesto Geisel to accept the presidency of the Brazilian Petroleum Corporation (Petrobras). Just recovering from vascular surgery, Geisel was at first reluctant to accept the appointment, but at Médici's insistence he accepted charge of Brazil's largest corporation. In the new presidential Cabinet, brother Orlando was named Minister of War. From Petrobras, amid the rapidly expanding economy, Geisel began to chart a new, vigorous course for the oil company, expanding the domestic exploration of coastal wells and founding Braspetro, the Petrobras international subsidiary. Thus Geisel remodeled the operation and philosophies of Petrobras to meet Brazil's changing needs.

In June, 1973, President Médici named Ernesto Geisel as his successor, thus establishing a *gaúcho* dynasty of three Presidents since 1967. In September, 1973, the ARENA national convention dutifully endorsed the nomination. Unlike the two former Presidents (Costa e Silva and Médici), the candidacy of Geisel was surprisingly well accepted by supporters and foes alike. Appearing at a federal Senate hearing on oil policies in July, 1970, Geisel signaled a substantial change of Petrobras's policies: the corporation increased its operational budget to Cr\$13 billion, a record high in its history, secured loans from Britain and the United States (£33 million and \$100 million, respectively) to expand the operation and to finance the import of new technology, and, finally, assured the expansion of retail petrochemicals and refined petroleum

products. The Geisel-run Petrobras ambitiously pushed plans for setting up a chain of service stations in cities, and in some cases, the government filed law suits to force foreign-owned stations out of their choice locations in favor of the Petrobras retail chains.

Such a nationalist policy was applauded by Brazilians, and Geisel's tenure in the state-run corporation earned him impeccable credentials as an economic nationalist. The selection of his 13-member Cabinet was carefully made on the basis of merit and past performance in the government; most of the 13 ministers came from the ranks of the technocrats. The all-important portfolio of Finance Minister went to a well-known economist, Mário Henrique Simonsen. The choice, in part, served to assure the foreign investors of Brazil's continued acceptance of external capital; at the same time it avoided any undue suspicion that Geisel, in line with his policies at Petrobras, might set a xenophobic trend in government decision making. The Minister of [Economic] Planning and General Coordination (Réis Veloso) was retained from the Médici administration; the Ministry of Mines and Energy, an increasingly powerful voice in the council of government, was given to a Japanese-Brazilian technocrat, Shigeaki Ueki, who served on Geisel's staff in Petrobras. Another attractive addition to the Cabinet was technocrat Alysso Paulinelli, Minister of Agriculture. In sum, the ministers were professionals, and none was a known politician.

The "superminister" of the Geisel Cabinet, however, is General Golbery do Couto e Silva, friend and fellow ideologue from ESG days. An ardent nationalist officer, Golbery served as the founder and first chief of the National Intelligence Service (SNI) under Castelo Branco. The SNI is nominally a military intelligence agency directly under the President, but its true function is to implement measures to guarantee national security and at the same time to police undue opposition in the armed forces. An accomplished scholar on the subject of geopolitics, Golbery is known as the father of mainline ESG thinking, which equates national security and development. Pushing the frontier of military strategy beyond the conventional realm of physical defense, Golbery has successfully argued that in the changing patterns of world politics, the concept of "security" must also embrace economic planning and development. Hence, in the 1950's, the heyday of the cold war, the ESG began to pay more attention to the various political and economic issues that vitally concerned the national interest. In such a capacity, Golbery was chosen first by Castelo Branco and then by Geisel to provide the theoretical framework for further development.

Both critics and supporters of the regime have recognized, and rightly so, that the *raison d'être* of the military-technocratic alliance has been justified by the impressive record of economic growth, now universally

known as the Brazilian Miracle. In a careful study of the regime's achievements, critics have charged that the fruits of the miracle were enjoyed principally by the upper class, emphasizing that the nationalist policies of the Sorbonne group have failed to distribute national wealth equitably to all Brazilians. Foreign capitalists have been among the chief beneficiaries of the miracle, and Médici's Minister of Agriculture Cirne Lima gave the inequitable distribution of wealth as one of the major reasons for his resignation in 1973. Critics have raised two salient issues that the present regime must resolve: an equitable income distribution among the classes; and political reforms in search of acceptable means to restore political democracy, but not necessarily in a pre-1964 manner.

According to the figures released by the Vargas Foundation, the real wage of a worker actually declined from an index of 106 in 1960 to 76 in 1972.

Although the lower class (workers) has suffered a decline in income, the upper class (Brazilian and foreign corporate owners) has gained. In 1960, the top five percent of the population received 27.4 percent of the national income as opposed to 36.3 percent in 1970, a 9 percent increase. During the same period, the lowest 40 percent of the population suffered a decline in its share of the income from 11.2 percent in 1960 to 9 percent in 1970, a loss of a full 2 percent.¹

Also benefiting from such an inequitable distribution of class income were foreign and domestic corporations, thereby further underlining the critics' allegation that the programs of the regimes since 1964 have served only the capitalists. A Vargas Foundation study of the top 50 corporations in Brazil found two privately owned Brazilian firms (the Matarazzo and Votorantin groups) in the "top 20" category in 1970; by 1973, these two had been replaced by state-owned corporations. While the private (Brazilian) sectors registered a loss among the top 50, foreign firms registered a gain; the state-owned corporations have remained unchanged.

In order to correct defects in the decline of real wages for the working class and the inequitable distribution of class income, the Geisel government has incorporated various remedial measures in its five-year plan, II PND (II Plano Nacional de Desenvolvimento) for 1974–1979. For the next five years, the II PND calls for a total investment of Cr\$1,750 billion, US\$250 billion at the August, 1974, exchange rate. Among the principal objectives of the plan are increased budgets for graduate-level educational and technological development (Cr\$22 billion). The Pro-

gram for National Integration received Cr\$165 billion, of which Cr\$100 billion was earmarked for the economic development of the northeast; the Program for Social Integration received Cr\$760 billion, of which the human capital development projects secured Cr\$267 billion, underscoring the fact that the Geisel-Simonsen economic policy takes the critical analysis of the unequal distribution of income seriously. And, finally, various industrial research projects acquired Cr\$300 billion. Once successful, the Geisel government hopes to raise the per capita income from US\$740 in 1974 to US\$1,040 in 1979. By 1977, Brazil's GNP will surpass US\$100 billion, according to the II PND. In that year, the nation's projected population will be 120 million. By the end of the current five-year plan, the national labor market will be expanded to an additional 6.6 million new jobs. Judging from initial reactions in Brazil and abroad, the II PND has been well received by all sectors.²

The one important variable that serves as the key to the eventual success of the five-year plan is oil. Geisel, more than his three predecessors, is well aware of the delicate balance that oil holds in Brazil's economy. As the foremost authority on petroleum problems in the military establishment, Geisel was the representative of the Ministry of War in the National Petroleum Council in 1957. At that time only a colonel, Geisel began to acquaint himself with the intricate problems of developing energy sources as the first essential step toward industrialization. Unlike Golbery, Geisel did not publish any of his more profound views on national security and development, and their particular relations to oil, but no second guess is necessary to assess Geisel's stand on the oil crisis.

Geisel's push to make Brazil fully self-sufficient in energy sources complements his long-standing position on national security and development. The reduction of dependency on foreign technology, capital, and energy is Geisel's goal and Brazil's goal, an objective that has in the past divided Brazilian politics, both civilian and military. Avenues open to economic independence have been many and will remain. But the oil embargo of 1973–1974 has caused the regime to face the old argument for self-sufficiency in energy. This has strengthened the position of Geisel and the ESG on oil and other natural resources, while indirectly prompting Brazilians of various sectors to rally around the present regime. Petrobras has so far been unable to produce enough oil to satisfy the rapidly expanding needs of the Brazilian economy.

Brazil annually imports two-thirds of her oil needs, or 48 percent of her national energy consumption, according to the II PND. Furthermore, in the past, a full 50 percent of her oil imports came from Arab sources. Between January and June, 1974, Brazil imported 113.4 million barrels, costing US\$1,335 million.³ The international cartel of the oil producing

¹ Werner Baer, "The Brazilian Boom 1968–72: An Explanation and Interpretation," *World Development*, vol. 1, August, 1973, p. 6.

² A detailed description of the II PND is found in *Jornal do Brasil*, September 11, 1974.

³ *Ibid.*, August 30, 1974.

countries raised the price of oil some 340 percent with further increases expected. The International Monetary Fund reported that as of July, 1974, Brazil led all other Latin American countries in her foreign exchange surplus at US\$6,162 million, except for oil-producing Venezuela.⁴ For the first half of 1974, Brazil ran a trade deficit of US\$2.5 billion, and according to Simonsen, the total deficit at the end of 1974 may reach US\$5 billion to \$6 billion, while foreign investment will fluctuate between US\$4 billion and \$5 billion. Attempting to minimize public panic and to reassure confidence in the Brazilian economy, Simonsen coined a new word to describe the current dilemma: *tangachoque*.⁵ In spite of such optimism, the generals and technocrats are beginning to take revisionistic measures to avoid the impending crisis.

Brazil's economy requires a two-pronged approach in order to revise the old policies and devise new ones to prevent the *tangachoque* from becoming a *maxi-choque*. First, Brazil must effectively secure fuel and other raw material supplies for her economy in order to maintain her current 10 percent growth rate. To do this, the Geisel regime began to revise its traditional foreign policy, especially toward the Middle East, Latin America, and the Communist bloc countries. In 1974 Brazil expects to import over 60 percent of her oil from two Arab countries—40 percent from Saudi Arabia and 20 percent from Iraq. A surprising new oil supplier to Brazil is the Soviet Union, which agreed to sell 500,000 tons of petroleum between August and December, 1974, 4 percent of Brazil's need.⁶

Brazil's oil needs and dependence on the Arab bloc have forced the Geisel government to revise its traditional pro-Israel policy, a point explicitly made in an official visit to Brazil by Foreign Minister Omar Sakkaf of Saudi Arabia. Brazilian Foreign Minister Azeredo da Silveira announced that Brazil, in principle, has always been against any form of military conquest of territories and has stood for peaceful solutions to international conflicts; she has thereby called for Israel's withdrawal from the occupied territory. Such a sudden change of policy was the *sine qua non* for the oil supplied by the Arab bloc.⁷ This, therefore, is a case of Brazil's becoming more pragmatic, yet acting responsibly so that the defense of her own

interests would not be made at the expense of others. Simonsen contends that the II PND perfectly complements this new Middle Eastern policy; required revision seems to have been more the case. In addition to oil, it is well known that Brazil would like to attract petrodollars. In any event, Arab participation in Brazilian economic development calls for a change in policy toward Israel and may be invaluable to the success of the II PND.

Simultaneous with the new "responsible pragmatism" in Brazil's foreign policy is a gradual change from her one-time virulently strong anti-Communist stance; instead, Brazil wants to secure markets among the socialist countries. It is too early to predict that such a change in foreign policy will necessarily lead to a complementary change in domestic policies toward the leftists. But as the dependence increases, the Communist bloc countries will attempt to pressure Brazil for a revision. In mid-August, 1974, Brazil and China, formally exchanging mutual recognition, decided to elevate their then commercial missions to embassy status. Several visits to China by Brazilian businessmen and government officials convinced them that such a change was necessary. In July, Brazil recognized the independence of Guinea-Bissau even before Portugal made her formal plans known; Portugal was therefore pressured into following suit. Such a move inevitably made Brazil popular among the African nations and their Arab supporters. Another signal of a firm change in Geisel's foreign policy was the decision to establish five embassies in the Middle East.

In early September, 1974, Braspetro, the international subsidiary of Petrobras, signed up Libya as Brazil's seventh overseas customer for oil exploration (Algeria, Egypt, Iraq, Iran, Malagasy [Madagascar], and Colombia are the other countries that have invited Petrobras to explore for oil). The contract calls for a Brazilian investment of US\$35 million over the next five years for exploration; once found, 85 percent of the oil drilled will stay in Libya while only 15 percent will go to Brazil.⁸ As this contract indicates, Brazil's share of oil as payment is small.

Acting in such a pragmatic and responsible manner, Brazil hopes to open up more markets around the world. The Second National Meeting of Exporters, held in October, 1974, invited Geisel and his key economic advisers to outline government plans to expand Brazilian exports. Worldwide stagflation has forced many countries to revert to limited protectionism; for instance, the United States government has imposed a surtax on imported Brazilian shoes. At the conference, it was agreed that fiscal, credit, and customs incentives were not sufficient to assure continued expansion of Brazilian exports; instead, more active government intervention such as the formation of trading companies and fairs was called for.

The Interministerial Council of Prices (Conselho

⁴ *Ibid.*, September 5, 1974.

⁵ *Tanga* is a loin cloth swim suit that *carioca* girls began to wear about three or four years ago. It is skimpier than the traditional, more conservative, bikini. Mário Henrique Simonsen, of course, was comparing the size of the shock (*choque*) to a tanga, not the devastating visual effect that a *carioca* in tanga generally creates. *Jornal do Brasil*, August 28, 1974.

⁶ *Boletim Especial*, no. 30, (Brazilian Embassy), August 12, 1974.

⁷ "Omar Sakkaf, visita e indagações," *Opinião* (September 16, 1974), p. 4.

⁸ *Jornal do Brasil*, September 6, 1974.

Interministerial de Preços-CIP) issued a new policy in early October, 1974, exempting the prior authorization on a hike in the prices of industrial goods. The CIP was founded in 1968 to oversee credit and resource allocation. Normally, the CIP has exercised the supervising and authorizing function of price-fixing with a standard waiting period of 45 days. The new policy was in part motivated by the regime's desire to convince the private sector of continued confidence in its performance, and in part by the desire to allow the export sector to readjust prices swiftly in the face of the increasing protectionist trends adopted by many of Brazil's customers. By doing so, the CIP accumulated power over price control indirectly and reserved for itself the right to assign a reasonable profit rate. The relaxing of current CIP rules may force the government to back down.

In the western hemisphere, too, Brazil has initiated important new policies, considerably different from those of the Médici administration. Brazil has abandoned her anti-Communist attitude toward Cuba. At the recent meeting in Atlanta, Georgia, of the foreign ministers of the Organization of American States, Brazil asked the OAS to review the isolation of Cuba, thus directly opposing the current policy of the Gerald Ford administration. To further economic growth through trading, Brazil is perfectly willing to abandon her traditional, or predevelopment period, anti-Communist foreign policy toward Cuba.

In cultivating Latin solidarity and ties, Brazil also stepped up her investment and mutual trade agreements with various Spanish-American neighbors, especially with the Andean countries. Peru, Colombia, Bolivia, and Chile have signed mutual trade and development agreements with Brazil in the areas of copper, oil, coal, and other raw materials. Brazil is therefore playing the role of a "sugar daddy." The September, 1974, visit of the junta boss of Chile netted Chile a Brazilian loan of US\$300 million. To Bolivia, Brazil has pledged to buy 240 million cubic feet of natural gas and has agreed to provide technical and economic aid. And Brazil has signed an agreement with Paraguay to construct the Itaipu hydraulic power plant which, once completed, will be the second largest in the world, much to Argentina's displeasure.

The Brazilian-Peruvian plans to develop copper mines in the latter country, first signed under the Médici government, ran into a snag when Lima balked by reaffirming its desire to limit any mineral exploration activities to Peruvian nationals. The development of coal mines in Colombia was negotiated and signed, but a few details remain to be worked out as soon as

the new López Michelsen government in Bogotá settles down. All in all, Brazil is adopting a pragmatic foreign policy to acquire firm roots in Spanish-American sources of raw materials and markets.

Brazil's relationship with Japan is a special one. Outside the United States, the largest number of overseas Japanese, close to one million, live in Brazil. Concentrated mostly in São Paulo, the Japanese-Brazilians have earned a solid reputation as hard workers. The rapid economic growth of Japan in the 1960's added further luster to Japanese-Brazilians, and an increasing number of them have entered politics. The present Minister of Mines and Energy is the second *nisei* to hold a Cabinet post since 1964.

A late comer in the area of foreign investment in Latin America, Japan stepped up her economic expansion in the late 1960's and the early 1970's. Japan still lags behind the United States, Canada, and other European countries in her total investment in Brazil, but her economic interests are rapidly expanding in certain areas. The official visit of Japanese Premier Kakuei Tanaka in mid-September, 1974, highlighted the traditional bond between the two nations, and Japan is expected to contribute substantially to the growth of the Brazilian economy. In 1973 alone, Japan invested 43 percent of Brazil's foreign capital in steel, 80 percent in shipbuilding, 31 percent in forestry and wood products, and 19 percent in the machine and tool industry. Tanaka agreed to Japan's participation in developing bauxite mines and, by extension, aluminum production. Japan's total investment in the project in Pará alone is expected to be US\$2.4 billion, which will finance the construction of one power plant on Rio Tocantins and the establishment of a new city of 20,000 inhabitants.⁹

The liberalization, or to borrow Von Lazar's term, "decompression," or Huntington's more recent, "gradual decompression," of Brazil's authoritarianism, has inevitably set off a chain of pressures and counterpressures on the government. Having built an expanding economy, the Brazilian government began to induce civilian support for its program. Many technocrats are economists, sociologists, and statisticians who received their university and graduate training after 1964. Some financed their overseas training through the USAID, the Brazilian government, or both. The post-1964 generation of technocrats now man various ministries and agencies that draw up plans for development. This little-noticed change in the federal and state bureaucracy has assured the civilian sector's acceptance of the regime. In order to broaden the regime's popular base and to enhance its legitimacy further, both the Médici and Geisel governments have initiated programs of gradual decompression or liberalization of the military's power.

The first evidence of this new direction is the absence of self-glorification at the tenth anniversary of

⁹ *Ibid.*, September 16, 1974. Of the several existing works on the Japanese in Brazil, the most recent and best is Hiroshi Saito and Takashi Maeyama, *Assimilação e integração dos japoneses no Brasil* (Petrópolis: Editora Vozes, 1973).

the March Revolution. In terms of economic achievement alone, the Geisel regime has every reason to laud its accomplishments. Yet there seemed to be deliberate attempts to project a low profile.

This low profile approach was coupled with the returning of the *cassados*, those stripped of their political rights and, in some instances, exiled. Most noted was the return of Celso Furtado, a world-renowned economist, the founder of the Northeastern Development Agency (SUDENE) and, not incidentally, an articulate critic of the military regime.

Another example of the liberalization process is the emergence of a third party movement. Costa e Silva's Vice President is the leader of the Partido Democrático Republicano. Pedro Aleixo, whose constitutional assumption of the presidency was blocked by the junta in 1969, is currently gathering the legally required number of signatures to validate his party. The Geisel government has made no effort to block this movement, and the regime's own leaders freely admit the inviability of bipartisanship. As of September, 1974 (at the time of this writing), the PRD was said to have collected some 900,000 signatures, still far short of the required 1,150,000, or five percent of the total votes cast in the 1970 election.¹⁰

The election of 1974 proved to be the first issue-oriented election in Brazil since 1964. Aside from the nation-uniting oil issue and virtual unanimity on the state monopoly of explorations of coastal deposits, the MDB called for a more nationalistic approach to the issue—the complete elimination of all foreign participation in petroleum development. In 1973 alone, Petrobras discovered oil in various coastal sites including Alagoas, Sergipe, Rio Grande do Norte, and Bahia. Geologists believe that the continental shelf at the mouth of major Brazilian rivers, including the Amazon, contains huge oil deposits. The discovery at Mera, Alagoas, at the mouth of the São Francisco River, substantiated this belief.¹¹ The new head of Petrobras, General Araken de Oliveira, reaffirmed the doctrine of the state monopoly of petroleum. Yet at the moment the lack of technology and capital will not permit Petrobras to eliminate foreign participation completely. In addition to the coastal wells, south Brazil has a considerable amount of shale oil deposits, which Petrobras hopes to develop on a commercial scale by 1977. Considering Geisel's serious interest in oil, it is very probable that Brazil will become self-sufficient in energy by 1980.

¹⁰ *Jornal de Brasília*, July 19, 1974; *Jornal do Brasil*, September 8, 1974.

¹¹ The belief that the mouth of the São Francisco River has oil deposits is not a recent one. See Mathias G. de Oliveiras Roxo, *Notas sobre o petróleo em Alagoas e métodos geofísicos* (Rio: C. Sousa Machado, 1933).

¹² "Os resultados," *Vega e Leia*, no. 324 (November 20, 1974), pp. 26–27; "A grande vitória," *Opinião* (November 22, 1974), p. 3.

Inflation has also drawn much attention in this election year. The Vargas Foundation openly contradicted the official claim, which was abandoned by the end of June, that the annual rate of inflation could be held at 20 percent. The foundation reported that the purchasing power of wage earners had dwindled by a whopping 55 percent, while the national productivity had climbed by 56 percent. In the first three months of 1974, the inflation rate reached 18 percent. In August, 1974, alone, the cost of living in Guanabara went up by 1.6 percent, a cumulative annual rate of 25.07 percent. In Pôrto Alegre, the capital of the southernmost state of Rio Grande do Sul, the monthly cost-of-living index jumped by 1.28 percent in August, and economists predicted that the annual inflation rate would be close to 30 percent.

The federal congress of 364 deputies and 22 senators (one-third of a total 66) was elected on November 15, 1974. The preliminary vote count (as of November 18) indicated that the MDB won by a landslide in several key states. In the Senate, the opposition elected its candidates in at least 16 out of 22 states, losing only the states of Bahia, Pará, Alagoas, Mato Grosso, Piauí, and Maranhão, where no MDB candidate ran. In the Chamber of Deputies, the MDB won no fewer than 170 seats (47 percent) as opposed to 87 (28 percent) in the legislature of 1970–1974, while ARENA was reduced to 194 (53 percent) as compared to 233 (72 percent) in the outgoing Congress.¹²

There is little doubt that this windfall victory for the MDB was a surprise to both the Geisel administration and the opposition. The government will have to reconsider its social and economic policies in view of the massive opposition victory. Such a landslide can certainly be attributed to widespread dissatisfaction with inflation, especially in the urban, industrial states. Another element that influenced the outcome of the elections was the public image. With its old and professional politician candidates, ARENA projected the establishmentarian image, while the MDB managed to come across as a protest party with younger, fresh faces. It will not be easy for the Geisel administration to delay gradual decompression.

When the recalcitrant Congress refused to enact a comprehensive agrarian reform law in 1964, the Goulart regime attempted to carry out reform measures by executive fiat; the March Revolution of 1964 preempted this plan. Ironically, after the military

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In Chile, "there is little sign that the military has any intention of returning the country to constitutional rule. Its Declaration of Principles restated the main themes of the corporate state; its policies reenact some of the features of European fascism."

Chile One Year After the Coup

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THE WORST FEARS expressed at the initial actions of the military junta that overthrew President Salvador Allende Gossens on September 11, 1973, have been confirmed by the events of 1974. Repression of all dissent, violation of civil liberties, and the widespread use of torture have turned a former democracy into a brutal police state. The economic policy of the junta has created recession, and in the process the support that the military enjoyed among the middle class has eroded. The junta offers no return to constitutional rule or even the possibility of open political debate. This article will concentrate on the repressive nature of the new rulers of Chile, on Chile's economic situation, and on the recent disclosures of widespread American involvement in Chilean politics during the Allende years.

The military government has been criticized by an impressive list of international agencies for its violation of basic human rights. The most substantial reports have come from Amnesty International, and from the International Commission of Jurists,¹ though the Human Rights Commission of the Organization of American States (OAS) and the Conference of the International Labor Organization are but two more of the many impartial bodies that have reported adversely on the junta. What are the main conclusions of these reports?

Clearly, accurate figures on the number of political prisoners cannot be obtained, yet this is no reason for doubting the general conclusions of the investigators. Amnesty International estimates that as many as 2,000 Chileans may have been executed after secret military trials, or after detention without trial, up to December, 1973; and that one year after the coup there were still about 7,000 political prisoners. One reason for the difficulty in calculating numbers is that units of each sector of the armed forces im-

prison and torture in a variety of places scattered throughout the country, often assisted by expert Brazilian interrogators. Estimates of the total number killed in Chile in the last year range from 5,000 to 30,000.

The rule of law no longer exists, yet as the International Commission of Jurists report points out, "although there is no provision in the Constitution authorizing the Decree Laws of the Junta, and although they are seen to be in violation of the Constitution and the law, the Supreme Court has expressly approved their validity." So much for those who argued in 1973 that the Supreme Court upheld the rule of law against the unconstitutional acts of the Allende government. As the report concludes, "the vaunted independence of the Judiciary appears to be of little relevance." (Readers, it is hoped, do not have to be reminded, whatever the junta says, that the International Commission of Jurists, Amnesty International—and the author of this article—are not agents of the international Marxist conspiracy.) Defense lawyers cannot perform their legal role properly and are often intimidated; defendants have been convicted of offenses not known to the law; and in many cases Councils of War have tried offenses that they had no jurisdiction to try.

The International Commission of Jurists also reported that "on some occasions authorities at the highest level are known to have admitted privately that they know torture is carried on, and assert that they are unable to stop it." Cardinal Raúl Silva Henríquez issued a public statement in April, 1974, condemning the "physical and moral pressure used during interrogation." In July, 1974, the OAS investigators recommended publicly to the junta that physical and psychological torture should cease.

Why is the regime so brutal? It may be, as one report indicates, that some top officials are worried about it, but the point is that there is insufficient control over the armed forces at the local level. If former supporters of the Popular Unity government

¹ Amnesty International, *Chile* (London: 1974); International Commission of Jurists, *Final Report of the Mission to Chile* (Geneva: 1974).

committed crimes against the state by the mere fact of that support, then the state has the duty to assess the extent of those crimes. Categorize your opponents as traitors to the state, organize your state machine to eliminate them, allow them no freedom to defend themselves, and it is hardly surprising that they will be tortured by those who can safely do so under the guise of patriotism. And not all the top officials are worried over the use of torture.

Both reports contrast this appalling situation sharply with the state of affairs under the Allende government. There were arrests under emergency decrees that were enforced from time to time; yet detained persons were released within a few days of the termination of the state of siege. Press censorship was occasional and temporary. Amnesty International could discover only two specific allegations of torture during the Allende government; and one of those allegations was made by the extreme Left Revolutionary Movement (MIR). There is no evidence that the Allende government ever adopted a policy of systematic violation of human rights.

There is some slight evidence that the junta is relaxing the scope and intensity of physical repression. On the anniversary of the coup, General Augusto Pinochet, now President, announced that the state of internal war would be replaced by a state of siege. So the government no longer has the authority, under military law, to order summary executions. Undoubtedly, some members of the government are concerned with Chile's adverse international public image, but the concessions are only minor ones. There are, after all, far fewer "enemies" to repress now, and a change in legal status will hardly impede a government that has no legal standing whatsoever.

Many articles have been written since the coup to explain the Allende years and the reasons for Allende's downfall.² The major addition to our knowledge of events, however, came with the revelations of the efforts of the United States Central Intelligence Agency to "destabilize" (in other words, overthrow) the Popular Unity government. In secret testimony before a United States House of Representatives subcommittee, the director of the CIA, William Colby, acknowledged that the National Security Council's covert action policy-making subcommittee had authorized \$11 million for use in Chile. Apparently \$3 million was allocated to help Eduardo Frei's Christian Democratic party in the presidential election of 1964 (which Frei won); about \$1 million went to

efforts to keep Allende out of office in 1970; \$5 million was used in destabilization efforts between 1971 and 1973; and \$1.5 million was spent in the 1973 Chilean congressional elections. Some of these funds were used to prop up the extreme right-wing Santiago daily, *El Mercurio*.

This decision was made at the highest level by the so-called Committee of Forty, chaired by United States Secretary of State Henry Kissinger. The aims of the action included the creation of economic chaos, the sponsoring and support of paramilitary organizations like the fascist *Patria y Libertad*, a massive ideological assault in the mass media, the funding of anti-Popular Unity professional groups, and attempts to divide and weaken the left.³

American government spokesmen insisted that they were not actually involved in the planning and execution of the coup. One can only comment that after all that preliminary effort, active participation hardly seemed necessary. President Gerald Ford took it upon himself to defend CIA action in terms that recalled the worst days of American imperialism. He did not seem at all impressed by the argument that all the ideals that the American government had supposedly been fostering before 1973—freedom of the press, of speech, of civil liberty, of democracy—have been totally repudiated by Chile's present government. Moreover, as more than half the money spent in 1972 and 1973 went to finance middle class political strikes against Allende, even the defense that the money was used to preserve democracy looks completely cynical.

If the immorality of such action is unquestionable, its efficacy remains to some extent still a matter for debate. After all, almost \$8 million is not such a great amount for the United States government to spend to bring down a Latin American government (ITT alone had offered a million dollars in 1970). But American efforts must be seen in the context of the virtual cessation of economic aid and credits from the United States and United States-dominated international agencies (even if there was help from other countries), and the delicate political balance inside Chile. The Popular Unity government lacked a majority in Congress; the government itself was a coalition of different interests and divergent ideologies; and Allende did not enjoy firm support in his own Socialist party. The support of the United States might have preserved Allende and democracy in Chile (and from the point of view of American preference there was always a good chance that former President Frei would win the election of 1976). This alternative does not seem to have received serious consideration; the United States preferred to play an important part in the overthrow of a man, a government and a political system.

American (and Brazilian) aid is now flowing back

² See, especially, Laurence Whitehead, *The Lesson of Chile*, Fabian Research Series 317 (London: 1974); and also Paul Sigmund, "Allende: A Summing Up," *Problems of Communism*, May/June, 1974.

³ For details see Northern American Congress on Latin America, *US Counter-Revolutionary Apparatus: the Chilean Offensive*, July, 1974.

to Chile. In 1973, Chile received more United States "Security Assistance" than any other country except Brazil; and in 1974, more United States funds were spent in training Chilean military personnel than were spent on the military of any other Latin American country except Venezuela.⁴

THE JUNTA'S ECONOMICS

It has been pointed out that the economic reforms of the junta represent more of a change than the economic policies of Allende. Whereas the Popular Unity government was accelerating a long established trend toward state control of the economy, the new government is attempting to return to a much older tradition of *laissez-faire*.⁵ Over 200 of the firms taken over by the Allende government have been resold to the private sector.

The economic policy of the junta and its right-wing advisers (many trained in Chicago) consists of a massive deflation, substantial devaluation, a warm welcome of foreign capital and austerity programs for the poor. These policies are not new to Chile. To some extent, they resemble those of the business administration of Jorge Alessandri (1958 to 1964). They were not successful then, and there is no reason to think that these old-fashioned remedies will do anything to solve Chile's economic problems.

The junta has been fortunate in two respects. Foreign aid is now flowing into Chile; over \$500 million was authorized in the first six months following the coup. The world price of copper, which fell sharply during the Allende years, reached record levels under the junta. That, added to a possible 20 percent increase in production of copper for 1974 over the previous year (thanks partly to labor "discipline"), are bright spots in the junta's economic performance. Even so the balance of trade is still in deficit (figures for the overall balance of payments are not available for 1973). If, in December, 1973, the world price for copper was a little over \$1 per pound, by August, 1974, it had fallen to 80 cents per pound. So Chile faces a probable deficit of over \$200 million for 1974 in her balance of trade.

Even if there are ample foreign credits coming in and even if the overseas debt has been renegotiated, Chile's enormous external indebtedness still increases rather than diminishes. Moreover, the government

has agreed to pay \$253 million to the American copper company Anaconda in compensation for the expropriation of its assets by the Allende government.⁶ Food imports for 1974 will still consume over one-fourth of the total import bill, and will cost Chile \$520 million. Chile imports 70 percent of her oil, and the cost of this item has shot up. The junta has a breathing space on the external economic front, but it cannot simply continue to move from one short-term expedient to another if it is to make good its boasts to remake the country.

Sectors that depend on local, as opposed to international, demand, are not doing well. Agricultural production is up by 15 percent to 20 percent over the 1973 harvest, but is still lower than the harvest for 1972. Moreover, it has been argued that low production under Allende was due largely to bad weather (for the 1972-1973 harvest) and to problems of distribution, not production.⁷ So it is far from certain that agricultural production was so depressed under Allende, nor is it clear that the policies of the junta are responsible for any improvement.

The effects of the recession are shown most clearly in the figures for industrial production and construction. Construction is down an estimated 5 percent to 10 percent for the first five months of 1974 as compared with the first five months of 1973 (a period of intense industrial and political unrest), and the output of the manufacturing industry has dropped 2 percent. Unemployment has risen to at least 10 percent, with another 10 percent of disguised unemployment. This compares with levels of unemployment of less than 4 percent in the Allende period.⁸

Under the junta, income levels are falling, while prices, now mostly uncontrolled, are rising. According to the pro-junta weekly, *Ercilla*, income levels are down by 10 percent to 15 percent on average compared with 1973, which itself was down 20 percent over 1970. Yet inflation for the year September, 1973, to August, 1974, is 63.7 percent, and for the first eight months of 1974 it is already 203 percent, even though the junta forecast a maximum of 200 percent for 1974 (in fact it is likely to be nearer 400 percent).

The junta has some awareness of the economic distress it is causing, not just to the working class, but also to the middle class. In a speech on the anniversary of the coup, General Pinochet did promise that, in the future, wages and salaries would be adjusted every three months to take account of increases in the cost-of-living index. But there was no promise that wages would recover some of the ground they have lost. In the first four months of 1974 alone, the general readjustment in wages and salaries was well under one-half the level of price increases.⁹ Summing up the position of the poor in Chile, the Jesuit magazine *Mensaje* wrote that "there

⁴ *Ibid.*, p. 38.

⁵ R. Gott, *The Guardian* (London), September 17, 1974.

⁶ Bank of London and South America, *Monthly Review*, September, 1974, p. 550.

⁷ Solon Barraclough, "The State of Chilean Agriculture before the Coup," *Land Tenure Centre Newsletter* (Wiscorsin), January-March, 1974, p. 11.

⁸ These figures come not from exile sources, but from the pro-junta weekly, *Ercilla*, no. 2041, September 11, 1974. See also Sergio Molina, "Economía: Nueva Receta para un Mal Endemico," *Mensaje*, July, 1974, pp. 285-292.

⁹ Jaime Ruiz Tagle, article in *Mensaje*, June, 1974, p. 202.

are now actually a million Chileans whose home has no stable income, and a further million whose income is extremely precarious."¹⁰

Unions are powerless to force employers to meet their obligations. The previous union leadership has been expelled or worse. Unions may meet now only to exchange information, and after having cleared the agenda with the Ministry of Labor; they may not engage in collective bargaining; and union leaders may spend only 10 hours a week in union business. The military Minister of Labor thought that full trade union activity (without any political component, of course) might be resumed in 1976.¹¹ Meanwhile, the much advertised and even more delayed "Social Statute of the Enterprise," which is supposed to establish some participation for labor in the control of enterprises, has disappeared from sight.¹²

National and small enterprises have suffered because of the recession, but the concern of the junta is with big and foreign capital. Thus its decree on foreign investment opens Chile to foreign business on virtually its own terms (though there has not been a rush into the depressed Chilean economy). This decision has angered Chile's partners in the Andean Pact, whose famous Decree 24 attempted to regulate foreign investment in a way that would provide maximum benefit for the Andean countries.

One consolation is that the economic situation is so bad that it could hardly get worse, and might even improve a little. This will hardly cheer that 20 percent of the civil service (100,000 people) who have been told that they will be phased out of state employment in the next few years. (In a suggestion so absurd that it would be comic if it were not tragic, one responsible minister suggested that the dismissed civil servants could club together to set up taxi cooperatives.)

If there was considerable middle class support for a coup in September, 1973, a great deal of that support has since eroded. In January, 1974, the Christian Democrats wrote to the junta that:

a lasting order cannot be created on the basis of repression. We feel that these are not the best ways to reestablish harmony and unity among the Chilean people, and as with any injustice it can only give rise to unnecessary suffering and to division, resentment and hatred.

The military responded with further reprisals against the Christian Democrats.

The Christian Democrats had not just suddenly

become aware of repression. The economic policies of the junta were making the middle class suffer, and the Christian Democrats find most of their support in that social sector. The only popular organizations left with any standing, the professional *gremios* (or associations) and the white collar unions, are openly pleading with the government to relax the deflationary process. Even the famous lorry owners union (which led the attack against Allende in October, 1972) published an open letter complaining that the junta's regulations and controls were almost as detrimental to its interests as those of the Allende government.¹³

The battle between the junta and the Christian Democrats has intensified. Bernardo Leighton, a liberal and a much respected leader of the party, called (from Italy, not Santiago) for the unity of all democratic forces against the junta. The government forbade him to return to Chile. The right-wing chairman of the party, former Senator Aylwin, crossed swords with General Bonilla, then Minister of Interior, now of Defense. Aylwin accused the government of persecuting the Christian Democrats (after the cancellation of a party radio program). He wrote that, "when the government asks for the cooperation of all Chileans, it cannot expect this to mean simple acquiescence in everything it does or says." Bonilla, in effect, told him to shut up. "Do not presume to write again in terms other than those fitting an administrative authority of a party in recess addressing the government of a nation." Undaunted, Aylwin replied that "history proves that no stable and just order can be built on the basis of a unilateral imposition of the will of those who govern."¹⁴

If the government cannot hope to win popular support, it can at least try to murder its opponents even if they are members of the armed forces (and as time passes it is becoming more and more evident how many members of the military opposed the coup). Two recent deaths removed two enemies of the junta. General Carlos Prats, Allende's loyal, but not Marxist, commander-in-chief, who resigned his Cabinet post and army command rather than divide the armed forces and precipitate a possible civil war, was killed in Buenos Aires (with his wife) by a bomb. Who was responsible? Prats was clearly a contender for the leadership of those forces who wanted a return to democracy in Chile. He was respected, moderate and democratic. The junta denied responsibility for the assassination. But why should the Argentine

(Continued on page 42)

¹⁰ Quoted by R. Gott, *The Guardian*, September 17, 1974.

¹¹ *Ercilla*, September 4, 1974, p. 10.

¹² Eduardo Aninat, in "Perspectivas sobre participación en las empresas," *Mensaje*, June, 1974, discusses some possible schemes.

¹³ In *El Mercurio*, Santiago, February 24, 1974.

¹⁴ See *Chile Fights* (London), no. 8, September, 1974; and for the full text, *Chile Democrático*, *Boletín Informativo* (Rome), no. 29, August, 1974.

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"Irrespective of its future political course, the army-dominated regime will leave an indelible mark on Ecuadorian society. . . ."

Populism, Petroleum and Politics in Ecuador

BY GEORGE W. GRAYSON

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OBSERVERS OF Latin American politics are increasingly attracted to the phenomenon of military populism whereby the armed forces seek to win favor among the masses to preempt existing or potential guerrilla threats.* They assume control over the nation's vital resources, promote basic social and economic reforms, proclaim independence in foreign affairs, and raise their people's sense of nationalism.¹

The hemisphere's most notable populists wear the olive drab uniforms of the Peruvian army. After it seized power over six years ago, the Peruvian army has reformed the land, taken over the foreign-owned International Petroleum Company, established peasant cooperatives, created industrial communities for workers, nationalized the fishmeal industry, revamped the educational system, affirmed sovereignty over 200 miles of territorial waters, forged diplomatic relations with most nations of the world, and boosted the average personal income of its citizens.

Lima's example has not been lost on other Latin American nations. Cuba's Fidel Castro has praised the military's unusual role; *peruanista* tendencies or wings have sprouted in a number of armies of the region; and Brigadier Omar Torrijos in Panama, General Juan José Torres in Bolivia, and General Oswaldo López Arellano in Honduras have experimented with their own varieties of military populism.

Still, Ecuador's armed forces, which came to power in the bloodless, February 15, 1972, *coup d'état*, have most ostensibly patterned their regime on the Peruvian model. Headed by General Guillermo Rod-

ríquez Lara, the Ecuadorian military has proclaimed its own "National Revolutionary Government." It has pursued a tough policy with respect to foreign oil firms, has hauled in and fined unlicensed vessels fishing within 200 miles of the coast, has excoriated the country's feudal landowning patterns, has announced tax, water rights, and educational reforms, and has voiced its commitment to reshuffling the pyramidal structure of Ecuadorian society in favor of the Indian masses who live as ragpickers in fetid slums or windswept mountain villages. Is Ecuador's populism one of style or substance?

The acrid smell of petroleum suffused the military's decision to take control of the government in this Andean nation of 6.6 million. There had been widespread discontent in the barracks over the deadlock and drift of the lackluster regime of President José María Velasco Ibarra, who on four previous occasions had worn the presidential sash and, three times had been ousted before completing his term. Elected for a fifth time in 1968, two years later the crusty old spellbinder grabbed dictatorial powers with army backing in order to keep public order. He promised reform, but conditions remained unchanged; he talked of public morality, but corruption flourished.

His advanced age—Velasco Ibarra was 78—compounded by his failure to groom a successor meant that balloting scheduled for June, 1972, would probably be captured by Assad Bucaram, Guayaquil's ex-mayor and the volatile leader of the left-leaning Concentration of Popular Forces, who demonstrated consummate skill in rousing the masses against the oligarchy. For Ecuador's conservative military, the prospect of an impotent Velasco handing the presidency to the mercurial Bucaram injected an intolerable degree of uncertainty into affairs. The military was especially concerned in view of a major oil strike in the country's *oriente*, which promised to generate revenues that would increase the options available to the country's next government and might diminish the military's policy-making role.

To assure a predictability in national affairs that

* For invaluable research assistance in preparing this manuscript, I wish to thank Laurie Johnston.

¹ For a discussion of military populism, see the author's "Peru's Military Populism," *Current History*, vol. 60, no. 354 (February, 1971), pp. 71-77, 116; recent analyses of the Peruvian regime include James M. Malloy's "Authoritarianism, Corporatism and Mobilization in Peru," *The Review of Politics*, vol. 36, no. 1 (January, 1974), pp. 52-84; and Abraham F. Lowenthal's "Peru's Ambiguous Revolution," *Foreign Affairs*, vol. 52, no. 4 (July, 1974), pp. 799-817.

neither Velasco nor Bucaram could provide, the military seized the government, packed the erstwhile President off to Panama aboard a DC-6, annulled the upcoming elections, and returned the country to a 1945 constitution, the seventeenth fundamental law of the nation in its 149 years of independence.

President Rodríguez immediately focused his attention on the nation's petroleum resources, which promised to transform Ecuador from a "banana republic" into the second largest oil producer in South America. And whereas most banana export earnings poured into private hands, the bulk of the oil revenues would accrue to the state treasury, thus strengthening the country's traditionally weak central government and spurring the development of Quito and the *sierra*—the pivot of army activities. Moreover, with ample funds in hand, the generals could spark the economic and social changes required to eradicate terrorist breeding grounds and improve the lot of the "have nots." In particular, change could enhance the military's prestige, long tarnished because of the nation's loss of territory in every war with a neighbor.

No fewer than 30 foreign companies had acquired concessions to prospect for the precious liquid in the lush, snake-infested jungles of the northeast. Of particular interest were the activities of Texaco, Inc., and the Gulf Oil Corporation, for these two giants had discovered high-grade deposits at their Sacha, Shushufundi, and Lago Agrio fields and had nearly completed construction of a 318-mile pipeline over the mountains to the tanker terminal at Esmeraldas, from which petroleum would flow to refineries in the Caribbean and the United States.

The first shipments left Esmeraldas in August, 1972, and the valuable export generated \$61 million for Ecuador that same year. As exports rose to 191,000 barrels per day in 1973, foreign exchange earnings climbed to \$230 million; and, in 1974, the figure reached approximately \$600 million, as more than 210,000 barrels per day were sold. The sharply increased earnings sprang from tax levies imposed by the government, which has boosted rates eight times since assuming power. As of July, 1974, it collected \$8.50 in income taxes, export taxes, and royalties on every barrel of oil exported.

Tight controls on concessions complement these stringent fiscal measures. On June 7, 1972, Captain Gustavo Jarrín Ampudia, Minister of Natural Resources, disclosed supplementary clauses to the nation's Hydrocarbons Law. These compelled operating oil companies to return to the state without compensation approximately 60 percent of their prospecting areas and to pay \$7.3 million in surface charges in addition to the nearly \$1 million already paid. The maximum size of future concessions was

limited to 160,000 hectares. This move prompted several United States firms, including the American Oil Company, to abandon their Ecuadorian operations.

The government later announced that no new outright concession, such as that enjoyed by Texaco-Gulf, would be granted to a foreign firm. Instead, terms for each company would be worked out bilaterally with the newly formed Ecuadorian State Petroleum Corporation (Corporación Estatal Petrolera Ecuatoriana—CEPE). The Peruvians have designed a "model contract" that splits production 50-50 between the foreign firm and the state oil company, exempting the former from royalties, taxes, and other obligations. But the Ecuadorians offer no such exemptions, hoping to derive an 80-20 share of future output. The Argentine (YPF) and Polish (KOPEX) state oil firms are among the handful of companies that have bid for exploration rights under these revised rules.

In a further demonstration of strength, the military regime has canceled the concession of a consortium headed by the Ada Oil Company of Houston to explore for natural gas in the Gulf of Guayaquil, where reserves are believed to approach 4 trillion cubic feet. The Ada group had drilled nine wells at a cost of about \$30 million, but production had not yet begun at the time of the cancellation order, and serious talks over compensation are now under way. The government based its action on alleged chicanery on the part of politicians in letting the original concession. Four ex-political leaders—including former President Otto Arosemena—were subsequently brought to trial during the military's campaign to stamp out corruption.

Affiliation with the Organization of Petroleum Exporting Countries (OPEC) reinforced Ecuador's highly nationalistic oil policy. After five months as an associate member, the country became the twelfth full member of this redoubtable cartel in November, 1973. OPEC's purpose is to optimize production levels, coordinate prices, and increase national ownership of fields, facilities, and output. Although new to OPEC, Ecuador wasted no time in aligning herself with the militant majority—only Saudi Arabia has hewed a moderate line—that has successfully pushed the price of oil to the highest point in recent memory. In recognition of his country's bold stand, Captain Jarrín Ampudia was made OPEC's president, a largely honorary position.

In accord with the organization's policy that members "must immediately proceed to adopt measures" toward participation in developing hydrocarbon properties within their boundaries, CEPE has moved to acquire a 25 percent share of the Ecuadorian operations of Texaco-Gulf. To many, this action appeared to be a breach of faith, inasmuch as a 20-year

contract, signed in August, 1973, between the United States firms and CEPE postponed until 1977 the option of purchasing one-quarter ownership. Although CEPE has paid Texaco-Gulf an initial installment of \$25 million, final compensation terms have not yet been published. However, the government has emphasized that its share includes 25 percent of both the daily output and the 318-mile trans-Ecuadorian pipeline.

Facilities are at hand for sharply higher output, and the country could be exporting upwards of 400,000 barrels per day. Nonetheless, the military regime has elected to brake rather than accelerate production. This move conforms to OPEC's strategy of keeping world prices high. It also serves to husband domestic reserves estimated at four or five billion barrels, and helps to soften the inflationary winds that are swirling about the nation's economy. As a result, Texaco-Gulf was told on May 24, 1974, to cut back by 16 percent its then daily production of 250,000 barrels. Persistent government pressures and flood damage to the pipeline may have driven output even lower.

To play a still larger role in petroleum production, CEPE has commissioned a Japanese consortium to construct near Esmeraldas a \$91-million state-owned refinery, scheduled to go on stream by 1976 with a daily capacity of 55,600 barrels. It is intended as the first facility in a petro-chemical complex.

The National Revolutionary Government has also demanded that 50 percent of exports leaving Esmeraldas travel in the bottoms of a tanker fleet owned jointly by Ecuadorian Naval Transports and Kawasaki Kisen Kaisha, a Japanese firm. Thus far the mixed capital company has acquired two new 35,000-ton tankers.

Although the exact amount is unknown, sizable deposits of uranium have been discovered in the country's southern Loja province, and some experts believe that this radioactive mineral could be as important as petroleum to Ecuador's future development.

200-MILE TERRITORIAL SEA

The military regime has matched its nationalistic petroleum policy with an unflinching insistence on jurisdiction over 200 miles of coastal sea, a right first demanded by Chile, Peru, and Ecuador in 1952. To safeguard its fishing resources from foreign fleets, the Quito government has also laid claim to waters 200 miles off the exotic Galápagos Islands, which nestle in the Pacific 600 miles from Guayaquil. Ecuador has backed these claims by seizing and fining United States tuna clippers that fish her waters without pur-

chasing a license. Between 1966 and 1973, approximately 100 American boats were captured by the Ecuadorian navy (sometimes using American-loaned vessels) and forced to pay levies totaling \$5.2 million.

Recognizing only a 12-mile coastal limit, Washington reacted to the seizures by halting arms sales and credits and authorizing the President to repay United States fishermen by deducting their fines from Ecuador's foreign aid. Quito responded by expelling the Military Advisory Assistance Group, sent by the Pentagon to train and counsel the armed forces, by refusing to participate in joint military maneuvers with the United States and other hemispheric countries, and by accusing the United States of "economic coercion." That there was substance behind this rhetoric has recently come to light. In 1971 and 1972, the International Telegraph and Telephone Corporation (ITT) apparently persuaded the United States government to cut off millions of dollars in aid and loans because the Ecuadorians would not agree to ITT's terms for an expropriated subsidiary.²

Although 51 boats were seized in 1971, only 25 were captured in 1972 and only four in 1973. Since February 10, 1973, not a single vessel has been taken. Cynics claim that the disappearance of tuna in the waters off Ecuador, because of shifting ocean currents, accounts for the policy turnabout; others insist that United States shipowners have knuckled under and are buying licenses; and some contend that the Ecuadorians, concentrating on oil riches, are less concerned today about foreign fishermen.

The thaw in the "tuna war," combined with the appeal of *oriente* oil, have encouraged the United States to improve its relations with the Rodríguez government. The United States State Department has quietly eased some of the congressionally imposed restrictions on aid. In return, Ecuadorian diplomats in the United Nations and the Organization of American States have softened their attacks on the United States. In January, 1974, President Richard M. Nixon formally lifted the three-year ban on arms sales to Ecuador. Ecuadorians are anxious to replace their World War II-vintage equipment because of prestige considerations and a festering border dispute with Peru. Ecuadorian officers are also expected to attend training sessions in the Panama Canal Zone. To iron out details of any weapons sales or training programs, additional military attachés may be assigned to the United States embassy in Quito.³ Despite improved ties with Washington, the military government has made it clear that it intends to shop around—in Europe, East and West, as well as in the United States—to buy modern equipment that will best suit its security needs.

Despite the wealth generated by oil, and the self-confidence inspired by successful advocacy of the 200-mile territorial sea doctrine, Ecuador's military

² *Business Week*, August 11, 1973, pp. 102-103.

³ *The Washington Post*, May 21, 1974, p. A-11.

officers have spurned the vigorous reformism practiced by their Peruvian counterparts in favor of slow and gradual change.

Such change, they realize, can only come about if petroleum revenues are "sown" to create jobs in the countryside, diversify exports, and build the infrastructure of roads, ports, irrigation facilities and power sources that is essential to sustained economic growth. To direct the sowing, the government has announced a Peruvian-style Integral Plan of Transformation and Development for 1973-1977. The plan proposes to boost employment by 560,000 persons, to increase the growth rate to 8.4 percent annually (5.4 percent per capita), and to diminish regional disparities in living standards. In addition, according to the plan, exports are to rise by an average of 15.9 percent a year from \$279 million (1973) to \$583 million (1977); imports are to increase from \$321 million (1973) to \$506 million (1977), and debt service is to diminish as a portion of export income from 13.5 to 12 percent during the five year period.⁴ The plan, which took effect on January 1, 1973, anticipates investment needs of \$2.55 billion, \$1.58 billion from private sources and \$970 million from the public sector.

In trying to gain control over the national economy, the military's determination and resourcefulness will be tested by dozens of autonomous agencies that are thriving as fiefdoms free from executive or legislative influence.⁵ They generally develop their own policies, hire their own personnel, and set their own budgets, with funding assured from earmarked excise, import, or export taxes. The customs bureau, liquor authority, central bank, development bank, local power companies, and regional development officers exemplify such agencies, whose budgetary independence must be eliminated—or at least diminished—if long-range planning is to succeed.

For the present, however, zooming petroleum revenues have helped the government to surpass a number of its development goals. According to data provided by the Economic Commission for Latin America, Ecuador's Gross National Product (GNP) shot up by 14.5 percent in 1973—the highest rate in Latin America—and was expected to rise even more in 1974.

GNP growth is complemented by impressive trade surpluses that totaled \$52.2 million (exports \$301.5 million, imports \$249.3 million) in 1972; \$206.2 million (exports \$550.7 million, imports \$249.3 million) in 1973; and \$182.9 million (exports \$299.4 million,

imports \$116.5 million) for the first quarter of 1974. These surpluses have produced foreign exchange reserves that exceed \$400 million.

Thanks in large measure to oil taxes, the government has increased its national budget from \$290.8 million (1972) to \$348 million (1973) to \$448 million (1974). Additional revenues also derive from the imposition, in July, 1972, of a 10 percent tax levied at the source on income earned in the country. Tanks, submarines, and other weapons purchases have devoured part of the increase—armed forces usually expand and spend proportionately more on their own needs as GNP grows. Still, the ruling officers have doubled expenditures on education. They have embarked on the \$37-million Carrizal-Chone irrigation project, substantially increased outlays for hospitals and health care, laid plans to increase electric energy output 12 percent annually until 1981, and initiated construction of arterial highways to link the oil-rich *oriente* with the rest of the country.

Meanwhile, through an array of state agencies—the Comisión de Valores-Corporación Financiera Nacional, the Centro de Desarrollo Industrial, and Fondos Financieros—the government has attempted to stimulate local and foreign private investment, citing the advantages that Ecuador offers because of the oil bonanza and the nation's privileged status as a relatively less developed country within the Andean Pact.⁶

Oil has brought jobs and has helped to increase annual per capita income, which at \$346 is still one of the lowest in the hemisphere. Unfortunately, Ecuador's relatively primitive economy has not productively absorbed all the additional income. As the result, prices have begun to climb, thereby eroding the purchasing power of those groups—seasonal laborers, tenant farmers, urban workers—that are least able to protect themselves. The cost-of-living index for Quito jumped 6.9 percent in 1972 and 20.5 percent in 1973. Moreover, a pound of rice has doubled in price to 16¢ over the past two years; the cost of bread has increased from 4¢ to 8¢ a loaf; and milk has gone up from 12¢ to 20¢ a quart. To fight higher prices, the government has periodically imposed wage and price controls, but these measures have served mainly to discourage agricultural production, which is already depressed due to heavy rains and flooding. To spur the output of foodstuffs, price increases were decreed for milk, meat, corn, wheat, and sugar in mid-1974.

Structural dualism besets Ecuador's economy. Modern plants, factories, and refineries festoon the streets of Guayaquil, Quito, Manta, Esmeraldas, and other cities. At the same time, the countryside—except for commercial banana, cocoa, coffee, and sugar plantations—exhibits low productivity and, in many regions, a semi-feudal organization. In recent years,

⁴ *Bolsa Review*, vol. 6, no. 70 (October, 1972), pp. 574-575.

⁵ Leslie Ann Brownrigg briefly discusses autonomous agencies in "Interest Groups in Regime Changes in Ecuador," *Inter-American Economic Affairs*, vol. 28, no. 1 (Summer, 1974), p. 7.

⁶ *Latin America*, September 28, 1973, p. 310.

farm output has increased only 2.8 percent annually, a sluggishness related to both the vagaries of world commodity prices and to unproductive patterns of land ownership. The fact is that 0.4 percent of the rural population owns 45 percent of the agricultural property, and 81.7 percent of the farms are less than five hectares in size.⁷

LAND REFORM?

An important test of any Latin American regime's commitment to real, not merely rhetorical, change comes in its land reform, in its willingness to challenge the property-holding elite over its most prized possession. Cuba, Venezuela, Peru, Chile—all have witnessed the transformation of the countryside. In Ecuador, by contrast, the change is barely perceptible. Despite Decree Number 1172, which authorizes expropriation of land that is improperly used or is subject to demographic pressures, the government has seized little or no property, and agricultural ministers and other Cabinet officials urging action in this field have soon found themselves unemployed. Sticky and thus far insoluble issues are the inefficiency criteria and the maximum number of hectares that a landlord may keep under the "reform."

In the absence of a decision on these matters, the Ecuadorian Agrarian Reform and Colonization Institute (Instituto Ecuatoriano de Reforma Agraria y Colonización—IERAC), charged with advancing the reform, has focused its efforts on opening virgin lands to settlers. Accordingly, the institute was empowered to sell bonds worth 20 million sucres to finance land-settlement programs in the Nangaritza Valley, the Cayambo area, and the northwest. Although politically convenient because it avoids a fight with the oligarchy, a colonization program is likely to prove expensive and ineffective in Ecuador, where jungles sprawl across most of the unoccupied land. The government has also announced that pressures will be put on absentee landlords. As one official expressed it: "We will bring them back from Paris." As yet, no indications have been given as to how this feat will be accomplished.⁸

Unrest in the countryside over the faltering agrarian reform has chilled any hope that the military may have entertained about mobilizing peasant support for the regime. The only rural organizations now contemplated are tenant farmer cooperatives spawned under the supervision of IERAC and financed largely by the farmers themselves.

Early in 1974, the Ministry of Agriculture made \$26.6 million available through the Fondo Financiero

Agropecuário for agricultural projects in 19 provinces. Specifically, the monies will be used to develop textile fibers, grains, and oil-seeds; \$1.6 million will be devoted to the promotion of livestock development in coastal and jungle areas.⁹

As of January 31, 1975, the government also required all banks to make 20 to 25 percent of their commercial portfolios available for the development of agricultural production, either by direct loans or by purchasing special 5-percent agricultural development bonds.

THE MILITARY ESTABLISHMENT

The conservatism of the Ecuadorian military, compared with its Peruvian counterpart, helps explain the slow pace of agrarian reform. Also important are the cleavages within the army itself, the three branches of the armed forces, and between coastal and sierra interests, which have made it difficult for the officers-turned-politicians to reach a consensus on their policies.

Disunity in the military appeared soon after it seized power. Lacking a Plan Inca, a Peruvian-type blueprint of reforms and changes to be promoted, the Ecuadorian officers decided to establish an army-navy-air force Council of Government to carry out executive and legislative functions. (It was anticipated that the nation's traditionally weak judiciary would remain intact, except for new appointments to the supreme court, and creation of special tribunals to try cases of corruption by previous officeholders.) A squabble erupted at once over the Council's leadership. That General Rodríguez Lara emerged as *primus inter pares* offended Admiral Reynaldo Vallejos Vivas, who was senior to Rodríguez in years of service. Meanwhile, General Julio Espinosa, the air force commander, who had opposed the coup, showed his pique by threatening to launch air attacks on Quito and Guayaquil. General Rodríguez consolidated his position only after successfully appealing to nationalistic younger officers. This prompted the resignation of his navy and air force colleagues.¹⁰

Later, an attempt to create a politburo-type national security council under the chairmanship of the defense minister failed. A Legislative Committee,

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⁷ *Ibid.*, November 10, 1972, p. 358.

⁸ *Ibid.*, August 3, 1973, p. 245.

⁹ *Bank of London & South America Review*, vol. 8, no. 86 (February, 1974), p. 107.

¹⁰ *Latin America*, March 3, 1972, p. 65.

"That revolution in Peru . . . is 'confounding' primarily because it does not fit into the classification boxes normally used by observers of Latin America."

That Confounding Revolution in Peru

BY CHARLES T. GOODSELL

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TO MANY BUSINESSMEN, intellectuals, aristocrats, and plain citizens of Peru the military regime there—now in its seventh year—is “confounded” in the sense of damnable. They find the far-reaching revolution of President Juan Velasco Alvarado greatly disruptive to traditional Peruvian values and deeply damaging to their personal interests. Yet the more fascinating feature of the Revolution is not the hostility it has engendered, but its “confounding” nature, in the sense that it is a perplexing, baffling, and even amazing social undertaking. It has confounded the experts.

For one thing, the Peruvian Revolution has persisted: six-plus years in power is a long time these days for any government, especially one that is attempting profound change. For another, it has made great strides toward meeting its stated goals: this is in complete defiance of the usual Latin American format of “revolution” in rhetoric only. No one now doubts that President Velasco means what he says when he describes the aim of his government as the “transformation” of Peruvian society.

Perhaps the most perplexing aspect of the Velasco regime is that it defies the experts’ categories. It cannot be labeled according to the usual classifications. It is neither capitalist nor socialist in its economic system, but some of each plus more. The regime cannot be characterized as either a personal dictatorship or a participative government; instead, elements of both are present—plus much more. To Americans the Lima government is perhaps particularly baffling, because its behavior toward Washington and toward American economic interests in Peru has fluctuated and been inconsistent.

In short, we are hard pressed to decide whether the Peruvian Revolution is good or bad, friend or foe.

¹ In February, 1973, he underwent two operations for an abdominal aneurism and in March a leg was amputated. At the time, rumors circulated that he had been shot in an assassination attempt.

² Here I have benefited from the insights of my colleague, Professor David P. Werlich, author of a general history of Peru currently in process.

Some external observers of Latin America evaluate political developments there in terms of emotional commitment, in favor of “democracy,” against military coups, or pro or con foreign investment. To them, the regime may indeed be maddening as well as confusing.

The ambiguities begin with the Revolution’s top leadership. On the one hand, Velasco himself remains firmly in control and is the ultimate arbiter of policy. He led the original coup in 1968 and has since been the dominant holder as well as the symbol of power. At 64, he is a vigorous and astute politician in full command of his very considerable abilities, although a serious bout with illness in 1973 threatened him physically.¹

On the other hand, Velasco is not a personal dictator. From the beginning, the military government in Peru has been a collective and cooperative undertaking. All three branches of the armed forces participated in the coup and all are allocated ministry portfolios. Policy is debated and voted upon in the Cabinet and by the President’s Advisory Committee. Various factions of the armed forces struggle with each other for influence, with a “radical” sector centered in younger army officers and a “conservative” faction in the navy and air force. Velasco stands amid and above these squabbles and tips the scales as he sees fit.²

The President’s continuing dominance is made clear by the fact that he alone, among the regime’s top leadership, retains his original post. A periodic shifting of Cabinet seats allows Velasco and his closest advisers to shape the outcome of intra-regime debates. In any event, choices for new ministers indicate how the political winds are blowing. In late 1973, with the politician’s balancing agility, Velasco pleased the conservatives when he made General Francisco Morales Bermudez army chief of staff, in line to be later named Defense Minister and Prime Minister. Morales is now regarded as the eventual successor to Velasco.

In June, 1974, the President delighted the radical

faction by effecting a dramatic purge of three admirals who, together with several of their naval colleagues and concerned civilians, had opposed the expropriation of the press. The highest ranking officer to be deposed was Vice Admiral Luis Vargas Caballero, Navy Minister and member of the four-man junta that theoretically rules the country. The admirals' "rebellion"—considered the most significant anti-Velasco uprising to date—was swiftly and effectively squelched by the forced resignation of Vargas and the admirals serving as Minister of Housing and head of the National Integration Office.

The President then read to the nation, on Independence Day 1974, his "Plan Inca." This rather lengthy statement was supposedly written by Velasco prior to the 1968 coup as an outline of the Revolution's aims. In reality it appears to be an updated plan of action on all policy fronts, plus an analysis of the conditions that presumably justified the October, 1968, coup. As a plan, it is comprehensive and fairly specific, detailing the regime's intentions for economic redistribution, state direction of economic growth, government ownership of basic industry, worker participation in the control of enterprise, avoidance of dependence on the United States, and far-reaching reforms in education, housing, health, labor, and welfare. There is even a rather lengthy section on women's rights. What is most extraordinary is the fact that much of the plan has already been carried out: the Velasco regime is easily the most change-fomenting in Peruvian history, and its social and political consequences are comparable to those of the Mexican Revolution.³

By no stretch of the imagination is the Peruvian government "democratic." Immediately after the coup, the constitution and the national legislative assembly were abolished, and the independent judiciary was turned into a controlled arm of the regime. National and local elections were set aside as methods of governmental leadership choice.

However, the armed forces did not employ orthodox nondemocratic forms of rule. They did not create a government political party to run approved candidates in sham elections, nor did they rely on totalitarian suppression of the media. In Peru, there are no secret police; in fact, many political prisoners have been released, and prominent opponents of the regime are typically deported rather than imprisoned.

Instead, a kind of participative corporatism has emerged. Reminiscent of fascist corporatism but without its rightist or brutal connotations, this system revolves around state-initiated participative

bodies organized by economic or vocational activity. All industrial and mining firms (except those owned directly by the state) are required to establish "communities" within them that consist of workers who receive a set percentage of profits and a cumulating share of assets. These organizations—distinct from the unions—elect their own leaders. The regime's wide-sweeping agrarian reform was carried out in such a way that land ownership and production and marketing functions were placed in the hands of agricultural cooperatives, again with elected leadership. "Self-direction" is thus one of the watchwords of the regime, but obviously the resultant propulsion must be toward targets set by the regime.⁴

Despite the Revolution's widespread support among Peruvians in its opening stages (aside from the privileged elite), the generals have recently encountered growing opposition. Labor unions complain bitterly and strike to protest insufficient wages; leftists perceive a sell-out to foreign and local capitalists; militant rural unions resent the presence of government promotional agents; small farmers are upset by peasant land invasions; middle class urbanites are infuriated by surging inflation; small businessmen are overwhelmed by the regulations and red tape of a highly controlled economic system.

The generals employed two principal strategies to combat this onslaught. Rival groups were established to weaken the influence of protest organizations. In the labor field, a new union was introduced to combat the Aprista and Communist-led labor federations. In agriculture, Agrarian Leagues were established as a counter to radical peasant organizations. True to the corporatist tendencies of the regime, these bodies were attached to a wide-ranging political mobilization agency established in 1972, the Sistema Nacional de Apoyo a la Movilización Social, SINAMOS. This organization is, in part, a substitute political party for the regime; its functions include political "education" through propaganda, contrived mass demonstrations, and the grinding out of ideological statements. However, SINAMOS also promotes community development, national integration, and the reduction of bureaucratic obstructionism. A large and multifunctional organization made up of several former government units, SINAMOS represents perfectly in administrative form the perplexing and complex nature of what the Peruvian military is doing.

As counterorganizations failed to stem the tide of criticism, a second strategy has emerged, namely, the curbing of civil liberties. In early and mid-1973, the usually protected rights of strikers were suspended on a number of occasions. In one instance, the general secretary of a mineworkers' union was secretly deported to Panama. In April, 1974, more than 60 peasant leaders were arrested on the northern coast

³ The "Plan Inca" is reprinted in full in the *Andean Times*, August 2, 1974.

⁴ Consult in this connection James M. Malloy, "Authoritarianism, Corporatism and Mobilization in Peru," *Review of Politics*, vol. 26 (January, 1974), pp. 52-84.

for the alleged sabotage of government agrarian policy. Leaders of the old political parties were also affected; in March, 1974, five officials of APRA were seized and held for several days, and a few weeks later eight *Acción Popular* (AP) officials underwent the same treatment. In an unprecedented move in August, 1974, AP was banned entirely and two of its top leaders were deported.

The best-known moves to stem criticism have concerned the press. Although since 1969 the regime has made it clear that newspapers must be careful about what they print, the Lima press was regularly permitted to question the government, if it did so in a prudent manner. Subsequently, one AP-associated paper (*Expreso*) was expropriated; the prize-winning columnist was deported; and the newsmagazine *Caretas* was closed.

In the early morning hours of July 27, 1974, all remaining press freedom was suspended. In full riot gear, police entered the offices of all six Lima daily newspapers and took command in the name of the government. Subsequent editions, completely reversing the normal editorial lines of most of the newspapers, were wholly laudatory of the regime. Echoing the corporatist structure of the revolution, control of the papers was scheduled for allocation to various economic and vocational sectors: one organ to peasant organizations, another to worker communities, a third to the professional sector, still another to educational organizations, and so on.

Subsequently, in Lima, for the first time since 1968, the generals had to cope with rioting in the capital's streets. In upper-class suburbs, several hundred demonstrators and police clashed for three successive nights, breaking bank windows and burning vehicles. The rest of Peru was, however, reportedly quiet. Velasco's genius for confounding his critics was once again apparent: he soon released almost all the individuals who had been detained during the protests, permitted *Caretas* to reopen, and let it be known that the newspapers were once again free to criticize the government! A campaign against the use of torture in police interrogations was the vehicle for this last maneuver.⁵

Velasco's Plan Inca calls for "permanent and self-sustaining industrial development" in which the state is to be the "dynamic agent" and the exclusive owner of "basic" industry. The state is to be "in charge" of the exploitation of big mining deposits, large-scale fishing operations, power generation, and marketing in all three fields; it is to control communications, progressively taking over the transportation, credit, and insurance industries, and eventually to operate alone the petroleum industry, following an

interim period of contractual development with private entities.

Beginning with the expropriation of the Peruvian assets of Standard Oil's International Petroleum Company (IPC) in the days following the coup, the generals have gone far toward meeting the socialist aims of Plan Inca. During their first four years, they purchased or expropriated most telephone assets, the majority control of television stations, much of the importing, exporting, and distributing of food and other basic commodities, a large part of the banking and railroad industries, much metal mining, refining, and marketing, the reinsurance function, and the sugar industry.

Then, just when many observers decided the trend toward state control of industry had slowed, three additional important steps were taken in 1973 and early 1974 (aside from the newspaper take-over). In May, 1973, the once-renowned Peruvian fishmeal industry was nationalized. This involved 90 companies; several of the larger ones were American-owned. In the final days of December, 1973, the Cerro de Pasco Corporation, the largest private employer in the country, was expropriated. Also United States-owned, Cerro had operated a number of mines and other facilities in the Peruvian sierra since its founding in Peru in 1902. Cerro had previously offered to sell out, but negotiations had stalled when the two parties disagreed sharply over price. The third move occurred in February, 1974, when another American company originally founded in Peru—W. R. Grace & Company—was effectively expropriated with respect to most of its remaining Peruvian assets—the country's two largest paper mills, a chemical complex, and a box factory. In decades past Grace had owned extensive agricultural, manufacturing, and mining properties in Peru, but it had already sold or lost most of them. These interests all became direct state enterprises.

The diversity of Peruvian economic arrangements is underscored by another development, the emergence of the "social property" concept, revealed in detail in September, 1973. This notion abolishes "ownership" as it is traditionally known; instead it encourages the formation of self-managed, independent firms that receive "contributions" from the government development bank or a national social property fund. The firms then pay back these funds in "excesses," and reward their workers with basic wages plus bonuses based on production. In October, 1974, the first companies were authorized. The social property sector is to grow until it is eventually the "major force" of the economy.⁶

Additionally confusing is the fact that the short-term economic concerns of Peru seemed to dictate even wider departures from orthodox socialism. The Peruvian balance of payments deteriorated in the

⁵ *The New York Times*, September 6 and 11, 1974.

⁶ *Andean Times*, December 7, 1973.

early 1970's despite radically rising fishmeal and copper prices in early 1974. These did not offset escalating import prices and growing debt-service costs that had risen from \$82.7 million in 1968 to \$322.9 million in 1974.⁷

With a deliberateness that has won the Peruvian generals substantial respect in the international financial community, the regime improved internal revenue collection and renegotiated maturing loans. Realizing that their only solution to the payments deficit lay in expanding exports, the leadership delicately encouraged development by foreign capital of two resources, petroleum and copper. Even though expropriating IPC and Cerro, the generals signed exploration and development contracts with several foreign (including American) oil companies, and a mining contract was signed with the Southern Peru Copper Corporation—partly owned by Cerro—to develop the extensive Cuajone deposit. A huge basin of oil presumably lies beneath northeast Amazonian Peru, and large copper deposits susceptible to surface mining are known to exist in the south. These riches appear to be the keys to Peru's economic future; yet vast amounts of capital and technology are needed to retrieve them.

Largely for this reason, it would appear, Peru has been open to the reestablishment of working diplomatic relationships with the United States, despite several contrary forces. In 1969, relations between the two countries reached a point of very considerable tension, because of conflicts over Lima's refusal to compensate Standard Oil, and widespread seizure of United States tuna boats fishing inside Peru's claimed 200-mile maritime jurisdiction. The situation markedly improved in mid-1970, when the administration of Richard Nixon "deferred" the application of the Hickenlooper Amendment to Peru, the schools of tuna inexplicably left Peruvian waters, and the terrible 1970 earthquake generated a warm American response.

Yet conflict remained just below the surface. The tuna eventually returned, and in early 1973 boat seizures resumed. Standard Oil was still seeking compensation, as were Grace (for Peru's earlier sugarland expropriations) and, by May, the American fishmeal interests. Since 1969–1970, Washington had led a partially successful international credit boycott against Peru to mount pressure for compensation; no new United States government loans were forthcoming, American banks were very reluctant to make loans; and international lending agencies were under pressure not to yield. American arms sales to Peru also ceased, with the result that Lima turned to the Soviet Union for purchases. Lima's open friend-

ship for Cuban Premier Fidel Castro and other Marxists and her initiatives for Third World solidarity on the 200-mile maritime question were also irritants to the United States.

A new build-up of tension was visible in early 1973 but, most interestingly, it dissipated by mid-year. It now seems evident that a diplomatic trade-off had been informally effected; Washington would relax the credit embargo if Lima paid some expropriation compensation. In April and May, 1973, the World Bank and the Inter-American Development Bank made extensive new loans to Peru. By the end of the year, an arrangement had been made whereby Peru would pay \$76 million to the United States government for compensation, to be distributed to expropriated United States companies. Peru would also authorize expatriation by United States subsidiaries to their parent companies of \$74 million in company funds previously retained. Other features of the complicated deal were United States bank loans to Peru to more than cover the \$76 million promised Washington, and payment by Cerro to Peruvian authorities of \$38.5 million to settle an outstanding claim. Soon after the transfers were implemented, there were signals in Washington and New York that Peruvian credit was again good; of particular importance was the Export-Import Bank's new willingness to finance the completion of the giant Cuajone copper project. American arms sales to Lima were also resumed.⁸

That revolution in Peru, then, is "confounding" primarily because it does not fit into the classification boxes normally used by observers of Latin America. Its combined personal and institutional leadership, participative corporatism, nontotalitarian inhibiting of civil liberties, socialism combined with private, foreign, and "social property" capital, and fluctuating relationships with Washington make it stand apart. What the generals have done—to the dismay of academic classifiers as well as ideologues of all stripes—is to reject stereotypes and adopt their *own* standards of consistency. This is unusual among Third World countries because of the frequent tendencies there toward insecure emulation. Peru is simply defining her own terms for the evaluation of her own unique revolution. In the words of President Velasco's Plan Inca, the Revolution "will not be subject to set schemes or dogmas. It will respond only to Peruvian reality." ■

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⁷ *Ibid.*, May 31, 1974.

⁸ *Ibid.*, January 4, February 22, and July 26, 1974.

In Cuba, "recent economic successes have reinforced the new direction toward greater work controls and discipline."

A New Direction in Cuban Socialism

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THE ECONOMIC strategy to produce a 10-million-ton sugar harvest has had a decisive influence on Cuba's search for a socialist ideal. Originating in 1963, the sugar strategy dominated the political economy of Cuban socialism during the 1966-1970 period, and its failure is largely responsible for the turn to a new direction after 1970.

Cuba's development strategy was predicated upon an unusual gamble: the mechanization of the sugar harvest. The inability to realize this crucial condition set the stage for a massive mobilization of labor, requiring in 1970 the work of 700,000 men and women, approximately one-third of the state sector's labor force. The sugar strategy intensified a fundamental attribute of plantation economies: the need for an abundant supply of cheap labor during the peak period of the harvest. Instead of using the traditional labor coercion of plantation economies—slavery, contract labor or the whip of hunger—Cuba attempted to awaken social and national consciousness as a means of labor mobilization.¹ Despite the problems inherent in such a massive mobilization of labor, moral incentives, even in the special and restricted form that they were applied, turned out to be an extremely powerful force for promoting worker effort.

Yet, as Carlos Rafael Rodriguez, Minister of Industry Che Guevara's adversary in the debates over the transition to socialism, recently remarked, "to work and to work effectively is not one and the same

thing."² But there is no evidence to indicate that the failure to work effectively was due to moral incentives rather than primarily to problems inherent in a mobilization model of economic organization.

The distinctions between Che Guevara's and Premier Fidel Castro's conception of economic organization have been frequently misunderstood or blurred, perhaps primarily because both placed great emphasis on the use of moral incentives.³ In Guevara's approach moral incentives required an efficient but highly centralized economic planning and organization structure to replace the market and mercantile relations. In part, it was designed to overcome the considerable spontaneity, anarchy, and speculation that existed in the initial transfer of power and direction of the economy in Cuba. But given the relative backwardness of its technical and administrative base during the 1961-1966 period, centralization created a serious problem of bureaucracy. Symptomatically, underemployment, *amigoismo*, a large flow of seemingly useless data, the breakdown of communication between the production units and Havana-based planners, and consequent rigidities, delays and inefficiencies attested to the disparity between the formal organizational relations of production and the effective capacity to use them.⁴

A system of organization primarily concerned with the rapid deployment of labor and capital to critically needed activities—frequently outside the worker's normal work activity—would have been inconsistent with an efficient bureaucratic structure. Fidel Castro's mobilization model required political leadership rather than technical and administrative direction over the work process. The capacity to inspire and lead was considered more important than technical competence over the routines of work organization. Moreover, systematic planning, cost analysis, and work rules were virtually impossible under pressures that demanded more spontaneous decisions from "the field of operations." Military command posts, particularly in agriculture, replaced the bureaucratic apparatus as a method of economic control and direction.

¹ For a discussion of Cuba's plantation economy, see Ramiro Guerra y Sanchez, *Sugar and Society in the Caribbean* (New Haven: Yale University Press, 1964). The mobilization model is discussed in Bertram Silverman, *Economic Organization and Social Conscience: Some Dilemmas of Cuban Socialism* (New York: Warner Press, 1973), Reprint 262.

² Carlos Rafael Rodriguez, interview with Marta Harnecker, *Chile Hoy*, August, 1972.

³ For an example of this misunderstanding, see Robert M. Bernardo, *The Theory of Moral Incentives* (Tuskegee: University of Alabama Press, 1971).

⁴ The theoretical issues of the debate are presented in Bertram Silverman (ed.), *Man and Socialism in Cuba: The Great Debate* (New York: Atheneum, 1971).

During the gradual build-up for the 10-million-ton sugar harvest, campaigns against bureaucracy led to the virtual elimination of economic planning and economic controls. Under the weight of the labor mobilization, cost accounting, work norms, the wage structure and the still fragile planning apparatus crumbled. Spontaneity was substituted for economic planning, disrupting production in virtually the entire non-sugar sector. Poor organization and not moral incentives undermined worker efficiency.

Another problem was the large increase in the rate of planned capital accumulation, which required a significant increase in the hours of work as well as a sharp reduction in personal consumption. As a result, a great deal of money income chased a limited supply of moderately priced, rationed consumer staples. The phenomenon of repressed inflation was expressed ideologically in the myth of the imminent disappearance of money. In this atmosphere, moral incentives were frequently interpreted by managers to mean that labor was costless. As a result, workers' efforts were often wasted at a considerable cost to the formation of socialist consciousness.

This suggests another fundamental problem with the mobilization model. It failed to provide an effective vehicle for worker participation in decision making. Under the increasing pressures of the harvest, the mobilization of labor, and not workers' active participation in decision making, was required. It reflected a "radicalism from the top." As a result, workers increasingly felt that their sacrifices and contributions were being subverted or misused by forces outside their control.

Thus worker productivity and efficiency declined sharply because of the breakdown in economic organization and worker participation, which in turn were outcomes of the special requirements of accelerated capital accumulation through sugar exports. Moral incentives were used and defined in the light of this particular method of surplus extraction. But rather than being responsible for the decline in worker productivity, moral incentives may have been the most successful aspect of the mobilization effort.

AN ECONOMIC CRISIS

On July 26, 1970, Fidel Castro described in detail what had become increasingly apparent to most Cubans: the economic strategy had led to a serious economic crisis.⁵ And more recently President Osvaldo Dorticos admitted that a "lamentable depression" in the Cuban economy during 1969–1970 had caused industrial and non-sugar agricultural produc-

tion to drop far below the 1967–1968 levels. Due to the absence of reliable statistics, the precise decline was not known.⁶ Clearly, the mobilization model had become a problem. A new direction in the economy from spontaneity to greater economic controls and planning was urgently needed.

The choices facing the Cuban leadership were complex. But two distinct and divergent roads were theoretically possible. The first, more experimental, was to view the past in a new light: to strengthen the underlying conception of social incentives and egalitarianism and combine them with a greater concern for worker control and participation in the direction of the productive process. Initially, Fidel Castro seemed to suggest this alternative when he asked on July 26, 1970: "Why should a manager have to be absolutely in charge? Why shouldn't we begin to introduce representatives of the factory's workers into its management?"⁷

AN ORTHODOX SOLUTION

But there was another, more secure and orthodox road, one that would shift the weight back to material incentives and greater discipline and toward a more rigidly defined hierarchical structure of work organization as a method for increasing worker productivity. Cuba has in fact moved toward this second road; nevertheless, this path was still constructed within the context of the Cuban experience. In design, it reflects a convergence of the Cuban populist vision of a moral society with a more orthodox Marxist-Leninist conception of the transition to socialism.

Before examining the newly adopted path, it would be instructive to inquire why the Cubans have rejected the first alternative. To a significant extent, the reason can be traced to problems of mystification in the special sense that a particular conception of the socialist ideal was obscured.

This was apparent in the two earlier forms of economic organization. For Guevara, the primary problem of the transition to socialism was to be found in what economists call the sphere of exchange and circulation, that is, in the buying and selling of commodities for profit and gain. In his view, "commodity production" was the primary source of worker alienation, which led to Guevara's preoccupation with substantially reducing money and the money motive during the transition period. To accomplish this end, Guevara turned to a system of central budgeting as a means of replacing mercantile relations within the state sector. But in focusing on the sphere of circulation rather than on the socialization of production (worker control), the problems of the effective transfer of power to workers were obscured. Worker control and participation, in an unexplored way, were to be an aspect of an economy

⁵ The speech was published in the *New York Review of Books*, September 24, 1970, pp. 18–20.

⁶ Lionel Martin, "The Cuban Economy: Continued Optimism for the New Year," *Direct From Cuba*, January 15, 1973, pp. 1–8.

⁷ Speech, July 24, 1970, *op. cit.*

managed and directed from the center with modern technology: the Marxian vision of the administration of things.

Fidel Castro's model also turned attention away from the socialization of production. The pressures of the 10-million-ton strategy led increasingly to capital accumulation by means of repressed inflation and voluntary and unpaid labor. Under these conditions, a moneyless, austere society was identified with the ideals of communism. Thus, once again the problem of eliminating money and money incentives was the prime focus of analysis. Moreover, as we indicated previously, a mobilization model was inconsistent with active worker participation and control over the work process. Indeed, during this period (1966–1970), already existing channels for participation through such traditional worker institutions as trade unions had broken down, thus limiting and distorting the understanding of labor problems and grievances. Clearly, the issue of worker control was not a paramount consideration of the two dominant forms of economic organization.

Turning to greater orthodoxy, the Cuban leadership has responded to many basic contradictions inherent in the 10-million-ton strategy, particularly the problem of labor scarcity.⁸ Finding additional labor reserves was believed to be primarily a problem of the organization of production. Increasing worker productivity was the first prerequisite in achieving the ideals of socialism. But the organization of work was viewed from the perspective of greater administrative controls over the work process and worker productivity rather than as a means of establishing greater worker control over the organization of production.

Putting production controls and productivity in command are clearly evident in the new direction. Fidel Castro stressed the new emphasis on production, at a May Day rally in 1971: "We repeat, after the question of work discipline and good work organization, productivity will be the fundamental question of our society." And 1971 was named the Year of Productivity.

Given the new orientation, it is not surprising that the leadership looked to a more orthodox alternative. Emphasis on production and greater discipline had been given only a brief hearing during the period of the Great Debate in 1962–1965, although strongly supported by Cuba's Soviet ally.

⁸ The labor scarcity problem is discussed in Brian Pollitt, "Employment Plans, Performance and Future Prospects in Cuba," Overseas Studies Committee Conference, 1970, University of Cambridge, 1970.

⁹ Speech to the Thirteenth Congress of Trade Unions, *Granma*, November 25, 1973.

¹⁰ The major theses of the Thirteenth Congress of Cuban Trade Unions, *Granma*, September, 1973, pp. 7–12.

¹¹ Speech to the Thirteenth Congress, *op. cit.*

The new road, nonetheless, reflected a profound populist concern for developing a moral society based on a heightened consciousness of social responsibility and duty. But primary reliance on social consciousness as a means for increasing production, a distinctive feature of the Cuban revolution, was considered idealistic. According to Fidel Castro, a more realistic balance between material and moral incentives is necessary, "... without abusing either one, because the former would lead to idealism, while the latter would lead us to individual selfishness."⁹

Nevertheless, in correcting the imbalance between moral and material incentives, the weight shifted to material incentives in regulating the worker's normal work activities. The traditional socialist law of distribution—from each according to his capacity, to each according to his work—was the first and fundamental thesis proposed at the recent Thirteenth Congress of Cuban Trade Unions. Material incentives are the primary weapon in the current campaign to raise production or productivity consciousness.

To implement the socialist distributional formula, the leadership moved to assert greater administrative authority over work discipline and work attitudes. An anti-idleness law, approved after discussion in all work centers, proclaimed work to be a social duty and absenteeism a punishable offense in a society that guaranteed, in Karl Polanyi's words, "the right to life." One consequence of the law was to bring approximately 100,000 additional male workers into the labor force, which virtually exhausted the male labor reserve. Another measure created new labor files in which the worker's merits and demerits would be entered at semiannual assemblies, as part of a program to increase the worker's production consciousness.

The reestablishment of elementary work norms began in September, 1970, with a government plan of Work Organization and Work Norms. According to Fidel Castro, its goal was to get "the optimum results from every machine, every ounce of raw material and every minute of labor."¹⁰ To implement the plan, productivity commissions were set up in production centers.

However, before work norms could be related to wages, the problem of repressed inflation had to be confronted. In sharp contrast to the illusions of an earlier period, Fidel Castro told the delegates at the Thirteenth Congress:

to apply the principle of each according to his work ... will mean nothing if we don't maintain a financial balance. Even the application of material incentives is useless and ineffective in a situation of tremendous inflation. ... We know that if there is more money in circulation than there are goods and services many people lose interest in money.¹¹

The program to achieve financial balance has pro-

ceeded along two lines: greater controls over the wage fund, and a reduction in the supply of money. Both are aimed at correcting the imbalance between the monetary supply and the available goods and services.

It is hoped that increasing the availability of consumer goods will also induce larger numbers of women—the largest potential source of labor reserves—to enter and remain in the labor force. Despite considerable efforts by the Federation of Cuban Women in 1969, only 27,000 additional women entered the labor force, and labor turnover has been extremely high. Recently, proposals have been made to rescind regulations restricting women from entering certain occupations.

The turn to production controls is apparent in the revised conception of socialist emulation. The Thirteenth Congress recommended that:

Emulation largely be a workers' and trade union means of making a practical demonstration to the administrative leaders that our production can count on reserves that permit more rational and more extensive use of the installations. . . .¹²

Furthermore, activities related to education and political and ideological development will be excluded from emulation indexes because they are too subjective, and should be a part of the daily trade union activities. Nevertheless, a new tripartite conception of trade union, management and the party suggests that the primary emphasis is on production discipline and labor productivity.

The orthodox Leninist concept of the Communist party has been reaffirmed. In this view, the party is composed of a more advanced and distinct stratum of the working class that provides political, social, and economic leadership during the transition.¹³ However, the party's political function is clearly distinguished from the technical and administrative tasks of management. Again (in sharp contrast to the mobilization model), technical and administrative expertise, as opposed to political development, is considered a more important attribute of management.

Separate and hierarchical managerial functions have been established. In 1972, at the Sixth National Council of Cuban Confederation of Trade Unions, Labor Minister Jorge Risquet argued that managerial authority must be strengthened, and that managers have a right to implement policies even over the objection of workers. "The thing to do with a

leader who gives the wrong orders too often . . . is to replace him."¹⁴ The turn to managerial authority is also part of a process to overcome the problems of "*socioismo*" (sociability) that have characterized Cuban worker-management relations.

The new concern about production controls is reflected in the reorganization of the trade unions. Fidel Castro emphasized that:

increasing worker productivity must from now on be the number one objective of the labor movement, the number one objective amidst the objectives of political and economic education of the worker.¹⁵

As more broadly based organizations, trade unions serve two basic functions. They are a means through which the "mass line" of the party can be more effectively articulated and discussed by workers. And they can aid management by providing and articulating the workers' perceptions about fulfilling productive goals and standards.

But the conception of trade unions also reflects the development of more traditional divisions of authority in production. Aside from general worker assemblies, the trade unions are the primary vehicles for worker participation in management. They are represented on managerial councils as well as in the higher levels of administrative decision making. The lines of authority are regulated by collective work commitments that specify the rights and duties of workers, trade unions and administration and establish procedures for dispute settlement.

Hierarchical divisions of authority are part of a more general concern for increasing the effectiveness of economic controls and planning. Thus, in 1971, President Dorticos admitted to a group of graduating economic students that the breakdown in economic controls was related to "an incorrect interpretation of the struggle against bureaucracy."¹⁶ Standard statistical forms have been reestablished to systematize the flow of economic information to control planning bodies, and cost accounting has been reinstituted at production centers. But there is greater awareness about selecting control procedures that reflect the actual technical skills of those who must use them. Annual plans have been reestablished and the first five year plan will be introduced for the period 1976–1980. Increasing technical cooperation with the Soviet Union in developing new central planning and control procedures is evident in new Soviet-Cuban agreements.

Information about the more general economic organization of the economy is still limited. In a recent discussion of the pilot elections in Matanzas province, Fidel Castro indicated that many provincial, regional and local economic activities will soon be decentralized. While they will operate within guidelines and norms established at the center, it is not clear how much financial autonomy they will

¹² Theses of the Thirteenth Congress, *op. cit.*

¹³ Party membership has increased to 200,000, up approximately 300 percent over 1969, and new statutes have been developed.

¹⁴ *Granma*, October 24, 1971, p. 4.

¹⁵ Speech, May 1, 1971, *Granma*, May 16, 1971, p. 3.

¹⁶ Cited in Lionel Martin, *op. cit.*

have and what success indicators will regulate their performance. In 1969, in the debates with Che Guevara, one leading supporter of the system of self-finance jokingly asked me if I knew another word for profit. Given the new reorganization of the work process, a turn to greater reliance on a system of self-finance is not unlikely.¹⁷

MORAL INCENTIVES

But despite the significant turn to economic incentives, the formation of social conscience remains an important ideological as well as a practical concern of the Cuban revolution. In this sense, the new direction reflects a convergence with, rather than a conversion to, greater orthodoxy. At the Thirteenth Congress, Fidel Castro warned:

In socialism, however, moral factors, the factors of conscience, the factors of culture, are essential. . . . We must not be deluded into thinking we are going to motivate the man of today, the socialist man, only through material incentives, because material incentives no longer have the validity they have under capitalism in which everything—even life and death—requires money.¹⁸

But "moral incentives" have been used primarily in activities outside the normal work process and among groups, particularly the young, who are not as yet in the labor force. Youth have presented particular problems for the Cuban revolution. In an interview in 1969, Jorge Risquet, the former Labor Minister, suggested that it was the younger worker who had shown lower levels of social consciousness and greater resistance to work discipline. More significantly, the youth problem was a symptom of the economic dislocations and a revolutionary process that had not yet been institutionalized. Born after the revolution, the earlier political struggles and economic hardships were not part of the life experience of the young.

Part of the difficulty is reflected in the serious dropout problem in Cuban education. During the period 1970–1972, the number of 13- to 16-year-olds who did not study or regularly work totaled more than 200,000. Of the 387,000 children who enrolled in the first grade during the 1965–1966 school year, only 21.6 percent completed the sixth grade. In the junior high schools, the problem was greater. Of the 59,000 students who enrolled during the 1966–1967 period, only 13.6 percent completed the program. Part of the problem was related to relatively low promotion rates. During the 1971–1972 school year,

there were more than 700,000 primary and high school students who were two or more years behind their normal grade level.¹⁹

As a consequence, the number of students capable of entering technical and agricultural school to increase the skill levels of the working class was greatly restricted. In fact, the students who selected the study of language (24,000) matched in numbers those who enrolled in technical and agricultural schools. Clearly, greater efforts were needed to transform the social attitudes of students and youth.

The establishment of new work-study programs and an ambitious school in the countryside plan were designed to develop new attitudes toward work and study. In the new boarding schools, students engage in productive activity in agriculture and industry while pursuing their studies. It is not clear, however, whether students work directly with peasants and workers. Evidence suggests that in the school in the countryside plan they are separated in their work activities.

In combining work and study, the Cubans hope to break down the distinctions between manual and mental labor. In addition, the work activities of students provide an effective method of financing the expansion of education. In September, 1973, Cuba had already constructed approximately 90 modern schools in the countryside and reported considerable success in overcoming dropout and promotion problems.

A paramilitary organization, the Youth Labor Army, has also been organized to perform productive activities. The new group is a merger of the Centennial Youth Column (organized in 1968 as a response to the harvest problems, particularly in Camagüey province) and the Permanent Infantry Division, which had mobilized more than 40,000 youth in 1973. The Youth Army, like the schools in the countryside, is part of an effort to impart a greater sense of social responsibility and work-study ethic to Cuban youth.²⁰

Reliance on social incentives is also apparent in the recent construction boom in Cuba. Workers have formed micro-brigades to solve the Cuban housing shortage. With construction materials supplied by the state, volunteers work additional hours to

(Continued on page 38)

¹⁷ Economic reorganization is an important part of the current process of institutionalization affecting all political and social institutions—a subject beyond the scope of this report.

¹⁸ Speech to the Thirteenth Congress; *op. cit.*

¹⁹ Lionel Martin, "Cuba's Second Educational Revolution," *Direct From Cuba*, August 15, 1973, pp. 1–6.

²⁰ *Ibid.*

Bertram Silverman spent the 1968–1969 academic year gathering material for a book on Cuban socialism. He has published articles both on Argentina and Cuba and is the editor of, *Man and Socialism in Cuba: The Great Debate* (New York: Atheneum, 1971), and coeditor, with Murray Yanowitch, of *The Worker in "Post-Industrial" Capitalism: Liberal and Radical Responses* (New York: Free Press, 1974).

"... today, there are clear signs that economic and political abuses are at least less common, and often less severe, in Central America than they were even a few years ago, despite the fact that exploitation, antagonisms, and repression are harsh facts of daily life for too many Central Americans."

Current Trends in Central America

BY DWIGHT B. HEATH

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MY NEIGHBOR made it sound so very simple: "Everybody knows where North America is. And everybody knows where South America is. So it ought to be pretty clear that Central America is what lies between them, right?" In a sense, of course, he was absolutely right; but in another sense his statement was totally irrelevant. Not everyone realizes that Mexico is part of North America, as geographers label the great land masses. Then, too, geographic labels change through time—as, for example, when Panama became independent of Colombia in 1903, and turned her back on the rest of South America.

In this article, I have chosen to deal with the five republics that identify themselves as Central American (Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica, in sequence from north to south), and also to include Belize and Panama, on the northern and southern extremes of the isthmus, because they tend to be ignored in discussions based on any other regional division of Latin America.

In short, Central America really is not central in many respects. One cannot deny that it is marginal in terms of world politics and current events, and it is generally marginal in economic terms as well.

We are talking about an area not much larger than California, with a population of about 20 million people. The entire territory lies within the tropical latitudes, but a variety of geological and climatological features makes for diversity within each country. In an area where active volcanoes and frequent earthquakes still change the lay of the land, mountains are important in more ways than as obstacles to transportation or as scenic attractions for tourists. Climate varies with altitude, so that crops, natural resources, and life styles of the people differ also. The natural and the human environments along the hot Atlantic coast of Costa Rica, Nicaragua, or Honduras, for example, resemble one another more than any one of them resembles its highland capital. With few

exceptions, population is relatively dense above the coastal plains, even where the major exports (bananas, cotton, lumber) are produced in the lowlands.

The intercontinental isthmian character of Central America makes it important to many scientists. Ethnographers and linguists are still studying the diverse social and symbolic systems among populations that are scattered throughout vast areas remote from cities and from roads. This is an exciting area for archeologists. They find a rich variety of local sites, and can try to unravel the complex interplay of technologies, motifs, and styles that diffused from both centers of pre-Columbian American high civilization, Mesoamerica to the north, and the Andes to the south. A spectacular profusion of flora and fauna attracts biologists, zoologists, ecologists, and other natural scientists.

Even during the colonial period, most of this area was relatively poor and neglected. Only in what is now Guatemala did the conquistadors find rich mineral deposits and large settlements of Indians who could provide cheap labor. The capital city of Antigua was never rebuilt after the earthquake of 1773, and the economic and political center of gravity shifted. The only other colonial boom town in the area, Portobello in Panama, is now virtually abandoned, although in its heyday as the major port and market for all of Spanish America, it was hailed as "the Samarkand of the New World."

The relatively poor colonists who were widely dispersed throughout the area played a small role in the Wars of Independence, and the vagueness of present-day national boundaries can be traced to the imprecise delimitation of *provincias* during the colonial period. (The entire area was governed by the *Audiencia* of Guatemala, except for Panama which was under Quito's jurisdiction.) Sporadic efforts at confederation and other forms of union have been short-lived, and there has been little popular participation in government. Spanish domination ended in 1821,

and the Mexican Empire (which included most of what is now Central America) dissolved a year later. The confederated United Provinces of Central America lasted only until 1825, but the idea of federation persisted until 1839.

The rhetoric of unity has been revived from time to time by both liberals and conservatives, but there was no substantive move toward unity until the Organization of Central American States (ODECA) was established in 1955 as a symbolic and political vehicle for the development of a Central American Common Market (CACM). Founded in 1962, after years of research and planning and with \$50 million in seed capital from the United States, CACM was intended to stimulate and coordinate economic development for the entire region by breaking down customs barriers among member nations, establishing uniform customs duties on imports from other countries, regulating the establishment of new industries to avoid duplication and allow more balanced growth among the various members, and, eventually, to establish a Central American Central Bank and an integrated fiscal policy based on a common currency.

CACM was shattered by the war between El Salvador and Honduras in 1969, and only El Salvador is eager to try to piece it back together again. El Salvador, with the smallest area, the largest population, and a relatively diverse industrial base, has lost markets as her Central American neighbors have turned abroad to make individual trading arrangements elsewhere.

During the first half of 1973, meetings of CACM and ODECA were repeatedly scheduled, and then postponed. Even when they did meet in late June, Costa Rica was the only member whose foreign minister bothered to attend, and Honduras boycotted the sessions altogether. The staff and job assignments of ODECA were sharply trimmed, and the summit meeting of Central American Presidents that had been proposed several months earlier was postponed indefinitely.

Closer examination of what happened in each of the countries helps to explain why real regional integration is as remote in 1974 as it has been for the past 150 years, despite persistent rhetoric.

BELIZE

Belize (formerly British Honduras) is not one of the five Central American republics, but it should not be ignored in a review of current history in that region. In colonial times, Belize was a province within the captaincy-general of Guatemala, and Guatemalans still claim it as part of the national territory, include it on their maps, and occasionally make rhetorical threats, although there appears to be no real danger of invasion. The area has never undergone any significant economic development; the

major exports, wood and chicle, reflect the fact that most of the country is heavily forested. The population is small, including a mixture of blacks descended from African slaves, and Maya- and Carib-speaking Indians. English is the official language; the territory was proclaimed a British colony in 1862. Insofar as the newly independent nation (since 1973) looks outward at all, it is more closely linked with the British Caribbean than it is with its hispanic mainland neighbors; since 1968 it has been a member of the Caribbean Free Trade Area.

The impact of the hurricane of September, 1974, may serve as an impetus for speeding up construction of a new capital, Belmopan, 40 miles inland. But the present capital was also hit hard by hurricanes in 1931, 1955, 1961, 1969, and 1971. Moving a capital city clearly involves social and emotional factors that are at least as important as economic and political factors.

GUATEMALA

Early in 1973, the recurrent pattern of Guatemalan terrorism by extremists of both the right and the left was interrupted. The country subsequently enjoyed a brief period of relative domestic tranquility as well as significant economic growth, not only in terms of gross national product but also in terms of exports. Labor unions enjoyed a respite from government pressure, and technocrats in the military establishment were apparently thinking of joining the expanding ranks of businessmen to develop a nationalistic reformist program along the lines of Peru's recent experiments. General Kjell Laugerud resigned as defense minister to run for the presidency as the joint candidate of the ruling coalition, the National Liberation Movement, and the Institutional Democratic party. Carlos Sagastume was nominated by the Revolutionary party. Meanwhile René de León Schlotter's position as head of the Christian Democratic party was weakened when a faction broke off to support Manuel Colom Argueta, after Colom's effort to establish a new Front of Revolutionary Democratic Unity was blocked by the government.

By the middle of 1973, however, the violence that has come to be accepted as normal in Guatemala erupted again on many fronts. A strike by 2000 teachers demanding more pay was denounced by President Carlos Arana Osorio as "a cover for a Communist plot to overthrow the government," and many teachers were fired. Students, and even some factory workers, joined in weeks of demonstrations, some of which were dispersed only by violent measures. Soldiers and squatters had a bloody confrontation near Jalapa, and soldiers confronted another group near Buena Vista.

Late in 1973, the strength of the military in politics was tacitly recognized when the opposition

parties substituted soldiers for their civilian presidential candidates. The National Opposition Front dropped de León in favor of General Efraín Ríos Montt, and the Revolutionary party's Carlos Sagastume stepped down to the vice-presidential candidacy in favor of Colonel Ernesto Paiz Novales.

Significant wage boosts (10 percent to 33 percent) were granted to civil servants, and Ríos introduced a discussion of basic social problems like poverty, population pressure, unemployment, and gross inequities in the distribution of wealth. The 1974 campaign was one of the most open in recent decades, but the final outcome of the elections disappointed many who thought it perpetuated the familiar pattern of fraud and intimidation on the part of the conservative incumbents. Although Ríos carried the capital by more than 2 to 1, Laugerud "won the recount," in which nearly 200,000 votes were voided. Ríos was declared the winner on election day, March 3, but the government reversed itself three days later, asserting that Laugerud had won a plurality (but not a majority) of the popular vote. This meant that the decision was thrown into Congress, where Laugerud was confirmed on March 12, by a vote strictly along party lines. Eleven foreign priests were expelled from the country for supposedly having advised their parishioners to support the Christian Democrats, and the nine FNO members of the national board of elections resigned in protest against what they termed "an electoral fraud."

When Laugerud took office in June, 1974, all of the political parties were in disarray, and he named a Cabinet made up almost entirely of military men, many of them holdovers from the preceding administration. Although some of them fit the "Peruvianist" image of "the new military," in the sense that they are technocrats concerned with development in a popular rather than a conservative oligarchical sense, there is little indication that significant steps will be taken in the direction of the Peruvian model, which would alienate those who have traditionally enjoyed their dominance in terms of both wealth and power. A price freeze on basic commodities and the imposition of a variety of higher taxes have precipitated a shake-up within the ruling coalition even before it can be determined whether it has helped to check galloping inflation.

GUATEMALAN FOREIGN POLICY

In terms of foreign relations, a Japanese mission is studying the feasibility of constructing a new port on the Pacific. Outgoing President Arana announced the first discovery of oil, and predicted that it would meet nearly 15 percent of the country's domestic needs. After years of negotiation, Guatemala won a trade agreement with Mexico that significantly expands nearby markets and lessens dependence on other

major buyers. In a calculated gamble, Guatemala and a few neighboring countries made significant profits when they undersold Brazil in the New York coffee market.

Like other banana-producing countries, Guatemala stands to gain from the newly formed association which, apart from regulating prices, may have an impact in breaking the dominance that a few international corporations have long enjoyed. The new President reiterated his country's claim to Belize, but promised to discuss the subject with British representatives rather than threatening to invade, as some of his predecessors have done.

EL SALVADOR

El Salvador, the smallest of the Central American republics but the one with the largest population and the highest level of industrialization, is still suffering from the collapse of the Central American Common Market. Five years after the Organization of American States negotiated a cease-fire between Salvadoran and Honduran troops, the border is still closed to trucks from El Salvador. A new ferry carries some traffic across the Gulf of Fonseca to Nicaragua, and new bilateral trade agreements have been sought to take up the slack.

When Colonel Arturo Armando Molina was elected President in 1972, he seemed a most unlikely target for the label of "socialist" or "progressive." On the contrary, many saw the election by Congress as little more than window dressing for yet another coup. The heavy-handedness of the military in dealing with peasant and labor groups did little to support the government's proclaimed dedication to agrarian reform as a means of "controlled revolution." Accusations of terrorism and violence were traded back and forth between the police and the national guard on the one hand, and the opposition National Union party and the Communist party on the other.

Nevertheless, when the President introduced a five year plan for social and economic development—hardly radical in international perspective—it was bitterly denounced as "socialistic" by those few private entrepreneurs who control the production of coffee, cotton, and sugar.

Widespread drought not only hurt production of crops for export, but also caused shortages of basic foodstuffs for domestic consumption, and even created a shortage of electricity (which is mostly generated by water-powered turbines). In turn, this forced a cutback in industrial production.

Sporadic skirmishes along the still undefined border with Honduras punctuated the first serious peace negotiations between the two countries, which took place in Mexico. El Salvador has bought 25 jet fighter planes and undisclosed quantities of other arms from Israel, but there is widespread speculation

that they may be as much for use against internal enemies as for foreign defense. Bombs have exploded every few months at government buildings in cities and towns scattered throughout the country, and during the period of local election campaigns (March and April, 1974), two new groups declared their opposition to the government, the People's Revolutionary Army (EPR), and the Army for Popular Liberation (FLP). With unemployment over 20 percent, and an inflation rate of about 60 percent, grass-roots unrest is becoming better organized and more articulate in the form of the Front for United Popular Action (FAPU), led by progressive priests.

In all this, El Salvador's balance of payments is favorable, and her membership in an international coffee selling cooperative and in the international banana producers' association promises to increase her profits from exports.

HONDURAS

Honduras is the largest country in Central America, and the one with the smallest population. There is little industry, and the scars of the still unfinished 1969 war with El Salvador will take a long time to heal, even without the enormous damage wrought by a hurricane late in 1974. Negotiations in Mexico City for settlement of the so-called "soccer war" have achieved little, and fighting still flares occasionally along the contested boundary. Recognizing that they hold a strong economic bargaining chip, Hondurans still refuse to let loaded Salvadoran trucks into their country.

General Oswaldo López Arellano, who assumed the presidency again in his third coup at the end of 1972, has surprised many observers by not resolving the issue with El Salvador, or helping to revitalize the Central American Common Market, or cultivating multinational corporations. On the contrary, he introduced some domestic reforms that resemble those he opposed a decade ago: agrarian reform (on a scale that poses no real threat to large landowners but has immense psychological importance among landless peasants), the endorsement of collective bargaining for trade unions, a minimum wage, and gradual nationalization of forest and mineral resources. There has been loud opposition to all these measures from those whose vested interests are threatened, and it remains to be seen whether action will match the rhetoric of reform.

The devastation wrought by hurricane Fifi in September, 1974, briefly eclipsed all other concerns and, in the long run, will aggravate each of them in this problem-ridden country. There is an enormous variation in the estimates of the death toll offered by various national and international agencies, but there is no doubt that thousands died and many more were left homeless in the storm and in the floods that

followed. The northern coastal belt that was decimated is virtually the only region of the country with any industry or modern agricultural enterprises, so that losses probably total nearly 30 percent of the gross national product, and nearly 50 percent of the year's exports. The country is under martial law, ostensibly because the state of emergency could tempt looters or an invasion from El Salvador, but perhaps also to prevent peasant squatters from taking over large farms. Relief operations, managed by the military, are often criticized because of large-scale profiteering. Food and everything else is in short supply. The insignificant role played by the United States, in relation to the generous aid of many other countries, is interpreted as United States support for the United States-owned banana companies that have been firing workers and threatening to move elsewhere in response to an increase in the export tax.

NICARAGUA

Christmas has a sad meaning in Nicaragua, because it was Christmas Day, in 1972, that the capital city of Managua was devastated by an earthquake. The death toll has been variously estimated by a number of local and international agencies, usually at over 10,000, but even that appalling figure cannot convey the pervasive impact of the earthquake. Managua was not only the administrative center, but the center of virtually all of the country's commerce and industry. Probably 60,000 people lost their jobs, and five times that many lost their homes. Enormous quantities of supplies and funds were contributed from all over the world. (Unfortunately the national guard, in effect the army, was accused of profiteering in the distribution of relief.) A number of plans for reconstruction have been considered, and the Interamerican Development Bank has allocated \$54 million for the job. But two years later, there is still no decision about whether to rebuild the city on the shore of Lake Managua, where much of it still lies in rubble, or to establish a new center elsewhere. Another earthquake hit Managua in April, 1973, wrecking many buildings that had been damaged earlier, but causing no injuries.

Early in 1973, Congress established a new ministry of national reconstruction, and no one was surprised when General Anastasio Somoza Debayle appointed himself to head it. It is an interesting study of political dynamics to examine some reactions to that move. Somoza, like his brother and his father before him, was commander of the national guard and very much a political boss. In a tradition that some refer to as "dynastic," the Somoza family has monopolized the presidency, and much of the national economy, for 40 years. The present general had been President but had resigned briefly to be eligible to run in the 1974 election. Even then, he remained as the dom-

inant member of the coalition triumvirate that was established as interim custodian of presidential powers. When the new ministry was created, Fernando Agüero Rochas, the Conservative member of the junta, asked his followers to boycott the Assembly until Somoza promised not to appoint himself minister with many special powers. The Assembly promptly voted itself the right to dismiss or replace any member of the ruling triumvirate. Then Agüero, with little to lose, threatened to resign if Somoza usurped the post. Somoza did take over the ministry, but when Agüero was not dismissed, he withdrew his threat of resignation, and the triumvirate remained intact as nominal ruler of the country. Shortly after that, the Assembly did indeed dismiss Agüero, named Edmundo Paguado Arias as his replacement, and promptly banned all political meetings "during the state of emergency." In microcosm, this two-month sequence of events epitomized the style in which the Somoza machine persists, with a nod in the direction of democratic forms. There is even a classic coda to the piece: the United States ambassador was accused by the Conservatives of having engineered the return of unlimited powers to Somoza.

Popular frustration and dissatisfaction were widespread. The long drought made difficult living conditions worse, and corruption was flagrant among those charged with relief and reconstruction. Even the commanding general's illegitimate half-brother, Inspector-General José Somoza, was rumored to be planning a coup, and new political parties were founded. The Liberal party, led by Anastasio Somoza, remained strong despite the loss of a dissident faction, the Constitutionalist Movement (MC), comprising mostly businessmen dissatisfied with the slow pace of reconstruction and led by Ramiro Sacasa Guerrero, a cousin of Somoza's who had been fired from the government. The Conservative party also spawned more outspoken opposition groups: publisher Pedro Chamorro headed Conservative National Action (ANC), and Fernando Agüero rallied his supporters under the new banner of the Conservative Popular Movement (MCP). Clashes with guerrillas near Nandaime presumably signalled the return of Carlos Fonseca Amador from exile in Cuba and his reactivation of the 15-year old Sandinist National Liberation Front (FSLN). A few months later, the government claimed that Fonseca had been killed in a skirmish.

When the main opposition newspaper, *La Prensa*, published details on the ways that some public officials had profited after the earthquake, Congress passed a highly restrictive law against "defaming the government." Many opposition legislators walked out of Congress in disgust; for a while, two radio stations played funeral dirges in the periods that would have been newscasts, and several radio and television

programs protested by not going on the air at all.

University students briefly protested the holding of political prisoners, and rumors spread to the effect that hundreds had been massacred in the confusion that followed the earthquake. Long strikes by hospital and construction workers resulted in wage rises, but General Somoza maintained control. When Pedro Chamorro, editor of *La Prensa*, dared to make a bid for nomination at the Liberal party convention, he was soundly defeated by Somoza and those who supported him were expelled from the party. Meanwhile, the Conservative party chose Edmundo Paguagua Irias as its candidate for the September, 1974, elections.

As the election neared, *La Prensa* urged a mass boycott of the polls as the most effective way of demonstrating opposition. Leaders of opposition parties, the editor of the paper, and the head of the General Labor Confederation were tried both in the courts and in the churches; the Archbishop of Managua issued a pastoral letter denouncing political opposition.

Although there is little sign of change inside Nicaragua, there is some lessening of tensions abroad. Costa Rica, with whom there was a brief border war a few years ago, has agreed to collaborate in developing the San Juan River that forms most of the common frontier.

On election day, Conservative candidate Paguagua conceded defeat even before the votes were counted; General Somoza began another seven-year term as President in December, 1974.

COSTA RICA

Costa Ricans are proud of their elaborate social welfare program, their extensive schooling, and their peaceful and orderly political history. All of these are relatively recent, however, dating from the Revolution of 1948 that brought José Figueres Ferrar and his National Liberationist party (PLN) to power. A quarter of a century later, Figueres was again President, and the PLN was again plagued with galloping inflation, charges of corruption, and a position in international relations that was deteriorating.

However much the "ticos" appreciate "don Pepe's" informality in terms of his walking around town in shirt sleeves and without a bodyguard, many of them resent the fact that he carries informality to the point of ignoring the law and the constitution. Several times during his last term of office, he neglected to get congressional permission before traveling abroad; his wisecrack responses angered opposition critics, but always delighted his followers.

Criticism has been broader and more sustained in relation to his dealings with United States financier Robert Vesco, who fled to Costa Rica when he was about to be extradited from the Bahamas in a

case of attempted fraud. Not only did Vesco stay on the Figueres ranch, but "don Pepe" wrote speeches for him to read on television and helped him buy vast areas of land and other properties. Some cynics maintain that "don Pepe" even helped Vesco to buy his freedom. They refer to the fact that one judge ruled against the United States government's bid for Vesco's extradition; then two other judges successively rejected the appeal, after which a new law on extradition was hastily enacted and signed, making it more difficult for a foreign government to press claims against anyone who had taken refuge in Costa Rica. A related scandal grew out of the President's failure to comply with the law requiring officeholders to declare their assets, and the disclosure that Vesco's agents had deposited nearly half a million dollars in one of "don Pepe's" New York bank accounts.

In May, 1973, Daniel Oduber resigned as president of the Senate to campaign for the presidency; he is a long-term Liberationist, and the successor handpicked by "don Pepe." A pastoral letter warning Catholics to vote for "neither Marxist socialism nor liberal capitalism" was protested by the Socialist party and the Social Action party as representing support for Oduber, and as an inappropriate intervention of the Church in affairs of the state. By the time of the elections, early in 1974, the opposition was so fragmented that a 25-year tradition was broken and a party succeeded itself in power. During the inauguration, when "don Pepe" draped the sash of office over his colleague, he said in a stage whisper that the microphones carried clearly: "This is the first time I've been able to do this for a friend." Among the defeated parties were the National Unification party, the Democratic Renovation, the Independent Nationalist party, the Democratic party, Social Action, the Christian Democratic party, and the Socialist party.

Immediately after the election, Oduber went to Venezuela and procured not only a promise of oil but an offer of financing for another refinery to be built at Limón, on the Atlantic coast. A few months later, an international corporation was formed to build a pipeline across the mountains. This pipeline would connect a new port, to be built with Japanese funds, on the Pacific coast, with access to the refineries and the Atlantic transshipment points. Costa Rica is sending both beef and live cattle to Venezuela, and both countries are cooperating in opposition to the large United States-based banana companies.

The drought of 1973 hurt crops and slowed industrial production, which is largely dependent on hydroelectric power. In a long-range effort to avoid a recurring power shortage, Costa Rica joined her former enemy, Nicaragua, in a plan to develop the

San Juan River which forms nearly all their common frontier.

The *colón* was devalued 20 percent in one blow, and heavy taxes were imposed on exports. Still inflation continued to amount. Outgoing President Figueres may have been only joking when he suggested that banana-producing countries should triple their prices in response to the rise in oil prices, but the idea was adopted and a new Union of Banana-Exporting Countries (UPEB) was formed. The long-range aim of the organization is eventually to regulate the production and sale of bananas throughout the world, but its immediate demand was an additional tax of \$1 per 42-pound crate. (Honduras, Guatemala, and Panama joined Costa Rica; and Ecuador, Venezuela, Mexico, Jamaica and the Dominican Republic may yet accept the invitation.) The reaction of the international corporations that have long dominated the market was swift and strong. Standard Fruit refused to pay, and threatened to sell off its assets and leave Costa Rica. Longshoremen in at least two major United States ports threatened to boycott any shipments to or from Costa Rica. Members of UPEB negotiated a wide range of compromise tax rates, most of them lower than the original demand; nonetheless, their first major challenge to the companies had some success.

Even before the Vesco affair and the banana flap, the traditionally warm feelings between Costa Ricans and North Americans were progressively strained in recent years. Costa Rica has long been a popular retirement colony for North Americans, with a balmy climate, great physical beauty, a relatively high standard of living, significant tax advantages, and other attractive features. But land speculation has snowballed; not only along the previously undeveloped shoreline but throughout the country, most "ticos" have been inconvenienced by it. (To be sure, a few Costa Ricans are getting rich from speculation, but many more find it threatening.) The problem is not only higher prices. When a farm is converted to residential use, peasant workers lose both their jobs and their homes, and the base of the nation's food production diminishes. Along the coast, "gringo" concepts of ownership and privacy conflict with the "tico" tradition that such land belongs to everyone. That tradition was enacted into law in response to a controversy that erupted when a North American fenced his beach property and tried to keep picnickers away.

Foreign entrepreneurs have always flourished in Costa Rica; much of the coffee production was in German hands, and both the railroad and the banana business were developed by North Americans. Nationalist goals are fueled, in this instance, by frustrations resulting from incredible population pressure and its associated unemployment, economic depres-

sion combined with monetary inflation, and other pressures. One of President Oduber's first acts was the revision of customs duties and other taxes to make his country less attractive to newcomers and to the thousands of foreigners already resident there.

PANAMA

Panama, like Belize, is part of Central America in a geographical sense, but does not share a common history with her isthmian neighbors. Significant economic links are only now being established with them. During the colonial period, the area was part of New Granada, unlike the northern provinces that were governed from Guatemala; Panama did not become independent of Colombia until 1903.

The Panama Canal links Panama's new cities with markets around the world at transportation rates that are cheaper than overland trucking to her Central American neighbors. Servicing the canal is the country's major source of income, although most of the labor force is engaged in agriculture. Despite the wealth it produces, the canal, and the 10-mile wide Canal Zone that borders it, are a focus of resentment to a degree that few North Americans seem to understand. The Zone is peopled by well-paid North Americans; its lush, manicured lawns and typically suburban life style contrast dramatically with the rest of the country. Until 1958, the United States flag flew alone over the quasi-colonial enclave that cuts across the entire country.

Panama's chief delegate to the United Nations, Aquilino E. Boyd, took advantage of his brief tenure as president of the Security Council to invite that body to meet in his country. When the Council did so, in March, 1973, Panama's grievances and many other anti-American feelings were aired to a broad and sympathetic audience. Nonetheless, the United States was able to veto resolutions that were proposed not only by Panama but also by Peru and Yugoslavia; 50 members of the United States Senate—enough to defeat any proposal for revising the treaty—issued a statement reaffirming that United States control of the canal had been assured "in perpetuity." In this classic case, the United Nations served well as a forum for airing significant differences among states, focusing the world's attention on local problems. Still, a major power had responded to moral suasion with an implied threat. Subsequent negotiations, however, suggest that Panama may win some concessions in the 70-year-old treaty.

General Omar Torrijos, Panama's Chief of Government, has set a 20-year deadline for United States relinquishment of the Canal Zone, and has demanded increased annual payments (from \$250,000 to \$80 million). Veteran United States diplomat Ellsworth Bunker took part in long negotiations with

Foreign Minister Juan Tack, laying the groundwork for a "statement of principles" that was signed by United States Secretary of State Henry Kissinger in February, 1974. Among the eight points that may serve as the basis for a new treaty are a compromise increase in annual payments to \$25 million, an expiration date on United States rights in the canal, the gradual withdrawal of the United States from the Canal Zone, and the reincorporation of the Zone into Panama.

This compromise has been widely criticized on both sides. Many North Americans see it as an erosion of this country's posture of defense, or as an illegal abrogation of a long-standing treaty. Many Panamanians regard it as an empty victory, especially in view of the approaching obsolescence of the canal. Projections based on expanding maritime traffic suggest that the canal facilities, working at peak efficiency, will not be able to handle all ships after 1990. Another trend is important in this connection: larger ships are being built. Three hundred of the world's vessels cannot use the canal, and 1,000 more cannot pass through fully loaded. There has been considerable talk about building a new sea-level canal; and routes in Panama, Colombia, and Nicaragua have been studied. Planners may not have ready solutions for all of the problems. But at least they are aware that construction will involve the relocation of people as well as excavation, that there is an important ecological risk involved in bringing the Caribbean and Pacific marine populations into contact, and that tidal differences will produce tricky currents. But it is clear that the men who built the present canal also overcame incredible technical and economic hardships. Hopefully, more attention will be paid to long-term social aspects in the event that another canal is constructed.

Panama is also making serious efforts to diversify and strengthen her economy. Fishing facilities are being modernized and expanded, and a Canadian mining enterprise claims to have found the world's richest copper deposit in Panama. A larger sugar mill has been planned, and an exchange of food and lumber for oil has been negotiated with Algeria. A charter member of the Union of Banana Exporting Countries, Panama has suffered intimidation at the

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BOOK REVIEWS

ON LATIN AMERICA

AGRARIAN REFORM IN LATIN AMERICA.

By ROBERT J. ALEXANDER. (New York: Macmillan Publishing Co., Inc., 1974. 111 pages, illustrations and index, \$5.95.)

Professor Alexander's brief study concentrates on land redistribution programs in Mexico, Bolivia, Venezuela and Cuba. As he points out, only in these four countries, and in Chile and Peru, has reform in land-holding patterns brought about fundamental changes in the economy and society. In addition to summarizing the reform programs in the four countries mentioned above, Alexander outlines the related programs—credit, technical and educational—that the governments initiated to help the new land holders. He also describes rural labor movements and evaluates the political and international impact of agrarian reform.

Mary M. Anderberg

BEYOND CUBA: LATIN AMERICA TAKES CHARGE OF ITS FUTURE. EDITED BY LUIGI R. EINAUDI.

(New York: Crane, Russak & Co., Inc., 1973. 228 pages, preface, supplementary reading and index, \$11.50, cloth; \$5.95, paper.)

In this symposium, ten American social scientists examine the major political, institutional, economic and international forces affecting contemporary Latin American development. They analyze the force of revolutionary and populist movements, patterns of leadership, the changing role of the church, new forms of military leadership, civil-military relationships, the impact of foreign investment, industrialization and income redistribution. They also discuss inter-American relationships, the nonhemispheric powers in Latin America, United States exchange programs, and Latin America's development and its impact on the United States. All but three of the essays were originally presented at a conference on "Trends in Latin America," organized by the Rand Corporation in Virginia, in 1972.

M.M.A.

THE BRAZILIAN-AMERICAN ALLIANCE.

1937-1945. By FRANK D. McCANN, JR. (Princeton, N.J.: Princeton University Press, 1974. 486 pages, preface, introduction, note on sources and supplementary bibliography and index, \$18.50.)

As a backdrop to his study of the World War II Brazilian-American alliance, Frank McCann points out that Brazil began to break her ties with Britain and turn to the United States on the eve of World

War I, under Rio Branco. The trend continued under Aranha, when Brazil broke her financial ties with the Rothschilds in favor of Wall Street. In these instances: "The drive toward closer union with the United States occurred largely on Brazilian initiative." The United States began to take the lead in cultivating an alliance after the Inter-American Conference at Buenos Aires in 1936. Argentine opposition to American proposals at the conference and Argentina's subsequent equivocal attitude toward the Axis led the United States to seek closer relations with Brazil as a balance to Argentina.

The author traces the breakdown of German-Brazilian relations and the interplay of American and Brazilian diplomacy in the late 1930's. His review of the close wartime association of Brazil and the United States shows the effectiveness of military and economic aid in obtaining United States diplomatic objectives.

It is his conclusion that: "Throughout the pre-war and war years Brazilian leaders sought to pursue policies based on national self-interest. . . . It was not entirely their fault that approximation with the United States did not bring all the hoped-for benefits, and instead turned into economic, political and military dependence." M.M.A.

LATIN AMERICA AND THE UNITED STATES: THE CHANGING POLITICAL REALITIES.

EDITED BY JULIO COTLER AND RICHARD R. FAGEN. (Stanford, Calif.: Stanford University Press, 1974. 409 pages, acknowledgments and index, \$17.50, cloth; \$4.95, paper.)

The 22 essays and commentaries in this volume were originally prepared for a conference on United States-Latin American relations sponsored by the Joint Committee on Latin American Studies of the Social Science Research Council and the American Council of Learned Societies that was held in Lima, Peru, in November, 1972. Two-thirds of the papers were written by Latin American social scientists; one-third by North Americans. The studies analyze the factors generating and directing international relations in the Western hemisphere since World War II. The scholars examine changing economic relationships as well as political factors. There are essays dealing with military policies and the politics of multinational corporations and two case studies of United States-Mexican and United States-Brazilian relations.

M.M.A.

ESSAYS IN POPULATION HISTORY: MEXICO AND THE CARIBBEAN. Volume Two. By SHERBURNE F. COOK AND WOODROW BORAH. (Berkeley, Calif.: University of California Press, 1974. 451 pages, preface, tables, appendices, works cited, glossary and index, \$16.50.)

In this volume, Professors Borah and Cook continue their intensive study of the impact of European conquest and domination upon the aboriginal population of the western hemisphere. The first essay deals with the population of Yucatan from 1517 to 1960; the second examines racial groups in the Mexican population since 1519; three essays deal with marriage, birth and fertility patterns in Mexico from 1690 to 1960, and three evaluate mortality patterns. M.M.A.

THE POPULATION OF LATIN AMERICA: A HISTORY. By NICOLÁS SÁNCHEZ-ALBORNOZ. Translated by W. A. R. Richardson. (Berkeley, Calif.: University of California Press, 1974. 286 pages, preface, illustrations, tables, bibliography and index, \$17.50.)

This is another valuable demographic study from the University of California Press. It surveys population growth in the pre-Colombian period, the causes and dimensions of the destruction of the population after the conquest, and the recovery of the population in the later colonial period and the years following independence. The current population explosion and population distribution are analyzed, and the author makes some projections of current trends to the year 2000. M.M.A.

SPANISH CENTRAL AMERICA: A SOCIOECONOMIC HISTORY. 1520-1720. By MURDO J. MACLEOD. (Berkeley, Calif.: University of California Press, 1974. 389 pages, preface, tables, maps, appendix, abbreviations, notes, glossary, bibliography and index, \$4.95, paper.)

In his fine and scholarly study of Central America's society and economy in the sixteenth and seventeenth centuries, Professor MacLeod describes and explains those forces which caused the decline in population and the stagnation of the economy shortly after the conquest. He sees a parallel between Europe in 1348 and Central America in 1520.

He divides the economic, social and demographic cycle that Central America experienced between 1570 and 1720 into four periods: the 16th century extractive period, ending with the great epidemic of matlazáhuatl-plague in 1576-1578; an era of crisis and experimentation from 1580 to 1630, in which Spanish laymen and officials sought solutions to their economic and social problems; the third phase, from the late 1630's to 1690, the great

depression; finally, from the last years of the 1690's until 1720, with some signs of revival in trade and population. M.M.A.

Also on Latin America

THE AFRICAN DIMENSION IN LATIN AMERICAN SOCIETIES. By FRANKLIN W. KNIGHT. (New York: Macmillan Publishing Co., Inc., 1974. 136 pages, suggested readings and index, \$5.95.)

AN AWAKENED MINORITY: THE MEXICAN-AMERICANS. Second Edition. By MANUEL P. SERVÍN. (Beverly Hills, Calif.: Glencoe Press, 1974. 309 pages, \$3.95, paper.)

BLACK FRONTIERSMEN: A SOUTH AMERICAN CASE. By N. E. WHITTEN, JR. (New York: Halsted Press, 1974. 201 pages, glossary, references, \$11.25, cloth; \$5.50, paper.)

THE END OF CHILEAN DEMOCRACY: AN IDOC DOSSIER ON THE COUP AND ITS AFTERMATH. EDITED BY LAURENCE BIRNS. (New York: The Seabury Press, A Continuum Book, 1974. 219 pages, \$8.95, cloth; \$3.95, paper.)

THE LATIN AMERICAN MILITARY AS A SOCIO-POLITICAL FORCE: CASE STUDIES OF BOLIVIA AND ARGENTINA. By CHARLES D. CORBETT. (Miami, Fla.: Center for Advanced International Studies, University of Miami, 1974. 127 pages, bibliography, \$4.95, cloth; \$3.95, paper.)

JOURNEYS TOWARD PROGRESS: STUDIES OF ECONOMIC POLICY-MAKING IN LATIN AMERICA. By ALBERT O. HIRSCHMAN. (New York: Norton Library, W. W. Norton & Co., 1974. Original edition, Twentieth Century Fund, 1963. 297 pages, index, \$3.45, paper.)

PERSPECTIVES ON LATIN AMERICA. By SAMUEL L. BAILY AND RONALD T. HYMAN. (New York: Macmillan Publishing Co., 1974. 100 pages and index, \$5.95.)

REVOLUTION AND COUNTER-REVOLUTION IN CHILE. EDITED BY PAUL M. SWEEZY AND HARRY MAGDOFF. (New York: Monthly Review Press, 1974. 169 pages, \$2.75.)

SOVEREIGNTY AND SOCIETY IN COLONIAL BRAZIL: THE HIGH COURT OF BAHIA AND ITS JUDGES, 1609-1751. By STUART B. SCHWARTZ. (Berkeley, Calif.: University Press, 1973. 465 pages, glossary, bibliography and index, \$17.50.)

THE UNAPPROPRIATED PEOPLE: FREEDMEN IN THE SLAVE SOCIETY OF BARBADOS. By JEROME S. HANDLER. (Baltimore, Md.: The Johns Hopkins Press, 1974. 218 pages, tables and index, \$10.00.) ■

BRAZIL

(Continued from page 10)

came to power, the Castelo Branco government established the Brazilian Institute of Agrarian Development in March, 1965. A series of governmental agencies were set up to cope with the pressing problems for the next five years, and finally, in July, 1970, Médici unveiled the National Institute of Colonization and Agrarian Reform to combine the redistribution of land in the northeast and colonization of the Amazon basin.

To this effect and as part of the total National Integration Program, Proterra (Programa e Redistribuição de Terras e Estimulo a Agroindustrias do Norte e Nordeste) was complemented by the construction of the Transamazonic highways. The new highways would in theory open up the vast virgin land of the Amazon to the surplus labor of the northeast. At the same time, an easy flow of goods, capital, labor, and even "civilization" via the main north-south and east-west arteries would integrate the nation. Minister of Agriculture Paulinelli admitted that the government had been forced to revise its original plan for the Proterra development of the Amazon. The projected transplantation of 100,000 families along the ten-kilometer strip of land along both sides of the highway by the end of 1975 could not be realized. And the government has decided to allow big private corporations (Brazilian and foreign) to occupy a large tract of land under its control.¹³

The Transamazonic highway construction has drawn mixed reactions from Brazilians and their Spanish-American neighbors. Aside from the general fear of the eventual destruction of ecological balance, smaller neighboring countries see the specter of Brazilian imperialism. Colombia, for instance, regards the highways as the principal tool for exporting Brazilian imperialism.¹⁴ The recent discovery of oil in Peru, just a few kilometers from the Brazilian state of Acre, has convinced the technocrats and the generals of the eventual utility of the highways, and in the process has reaffirmed the viability of national integration. Without delay, Petrobras is stepping up its exploration of oil in the entire Amazon Valley.

The antithesis of military and civilian technocracy has been reaffirmed by the rise of Geisel's pragmatic nationalism in both domestic and foreign policies. On the one hand, Brazil is now going through a fundamental revision of her development ideology—reviewing the future role of foreign capital and technology, the state monopoly of oil, new but realistic ties with Communist nations, and finally, the gradual liberalization of the regime's authoritarianism. On the other

hand, the worldwide economic crisis is threatening to destroy the 10-year achievements of the March, 1964, Revolution; in light of such a looming threat, Geisel, a one-time staunch anti-Communist army officer, is prudently restructuring his nationalist ideology of development on a less emotional, more rational basis.

Rapprochement with the Communist world was beyond the wildest dream of any member of the ESG mainline in the 1950's, but Brazil in the 1970's requires totally new approaches and new solutions. Geisel and his technocrats, the generation of 1964, are fully aware of such an exigency, and are eagerly adopting a new pragmatic nationalism to rechart the course for the second decade. ■

A NEW DIRECTION IN CUBAN SOCIALISM

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build critically needed housing. Frequently, micro-brigades have also been formed with surplus labor released through "norming." Like all recent mobilization, great care is taken not to disrupt regular production schedules or to waste voluntary labor. By mid-1973, the micro-brigades had constructed 10,000 houses, and 23,000 more were under construction. It seems unlikely that the goal of building 100,000 houses annually by 1975 will be reached. Nevertheless, construction has become one of the more dynamic sectors of the Cuban economy.

Thus moral incentives will continue to influence the work process through the interaction of young workers entering the labor force from the work-study programs and through collective efforts outside the normal work day to overcome critical economic and social problems. In this sense, the new direction reflects a convergence of the populist vision of a moral society with an orthodox Marxist-Leninist conception of the socialist transition. Nevertheless, social consciousness will be influenced profoundly by the new work relationship and the work rules that will regulate the daily activities of the labor process.

Recent economic successes have reinforced the new direction toward greater work controls and discipline. Since 1970, the Cuban economy has significantly recovered from the 1969-1970 "depression." No doubt, greatly improved economic controls and organizations have resulted in a fuller utilization of productive capacity. But other factors are also important. More modest economic goals based more realistically on available labor and natural resources have reduced the economic dislocations experienced in the previous decade. For the next few years, Cuba has projected a moderate growth rate of six percent per year. Resources for consumption and other non-sugar activities have been released as a

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¹³ "Amazônia-Nordeste: revendo a solução mágica (da Transamazônica às grandes empresas)," *Opinião* (May 17, 1974), pp. 12-13.

¹⁴ "El Brasil: buen vecino o un nuevo imperialismo?" *El Espectador* (Bogotá), June 11, 1974.

POPULISM, PETROLEUM AND POLITICS IN ECUADOR

(Continued from page 19)

formed to draft laws that might be submitted for Cabinet approval, has been enfeebled by restricted authority and loss of prestigious members. The upshot is that the executive—President and Cabinet—totally dominate the government.

To make sure that the executive branch reflects his own moderate conservatism, General Rodríguez (who boasts good contacts with both the conservative political parties and Guayaquil's crafty merchants) has systematically removed from key positions any officers who exhibit strong nationalistic or conservative sentiments. Even before the coup, Rodríguez played a key role in ousting General Julio Sacoto Montero, a young nationalist who had been named commander-in-chief of the armed forces by Velasco Ibarra. Sacoto's cardinal sin was a demonstration of excessive interest in the social and economic reforms engineered by Peru's military. Aggressive advocacy of the Peruvian model also led to the fall, in mid-1972, of Colonel Rodolfo Proaño Tafur, who had served as the government's first minister of production.

Similarly, Ecuador's military president has moved against hardline officers who are sympathetic to Brazil's conservative, pro-capitalistic development route. At the end of 1972, he dismissed General Víctor Aulestia Mier, his right-wing defense minister and founder of the ultra-conservative New National Order (NON), composed of retired officers. Shortly thereafter, he forced the resignation of General Alejandro Romo Escobar who had been president of the special tribunal trying 28 leftists on "subversion" charges. And in mid-1973, he replaced General Galo Latorre Sierra, another NON activist, as interior minister.

In addition to diminishing the influence of *peruanista* and *brasileño* tendencies in the army, General Rodríguez has concerned himself with the navy's role in the National Revolutionary Government. Traditionally aligned with the landowning and commercial interests of Guayas—the province that embraces Guayaquil—most naval officers have shown little enthusiasm for agrarian reform. As guardians of the 200-mile territorial sea, they have, nonetheless, developed strong nationalistic feelings toward perceived exploitation by foreigners, and they champion

a tough policy with respect to Texaco-Gulf and other oil companies. Yet Captain Jarrín, Minister of Natural Resources, was recently dispatched to Europe as a naval attaché when his nationalistic rhetoric became too shrill for the President.¹¹ The navy's power continues to ebb vis-à-vis the 56,000-man army because of the latter's dominance in the executive and because of the oil monies pouring into Quito. To placate the navy, Rodríguez allowed it to retain the natural resources portfolio in addition to the key post of interior minister. It is important to note that the interior minister is Admiral Povedo Burbano, former commander of the first naval zone based in Guayaquil, who can be counted on to endorse only moderate reforms.

Unsupportive of the 1972 coup, the air force is small and has played an extremely modest role in the military regime.

The antithesis of charismatic, the 51-year-old Rodríguez has shown an amazing knack for survival, while his ministers rise and fall. That he has clung to the presidential sash for three years demonstrates his personal flexibility, the absence of a reliable alternative, and the nagging fear in the barracks that an unsettling change in the presidency might be the first step toward a government of civilian politicians, who are despised as corrupt and self-serving by the military. As part of an effort to reform government, military officers have been appointed as Cabinet ministers, as governors in each of the country's 19 provinces, and—in some cases—as local officials. Before assuming office, each must publish an audit of his and his family's personal holdings, and his pay is based on his military rank, not his office's salary, which may be higher.

To help prepare officers for public duties and to improve the armed forces' professional reputation, the Ecuadorian Institute of High National Studies, patterned after Peru's Center of High Military Studies and Brazil's Superior War College, has been established.

Opposition to the government has thus far been sporadic and ineffective. Assad Bucaram's Concentration of Popular Forces joined the Socialists and Liberal Radicals to form the Front for the Restoration of Democracy, attacked for wanting to revive "bourgeois legality" by the small Community party that supports the military. The Front tumbled when key Cabinet ministers made it clear that such "luxuries" as elections and partisan politics were out of the question for at least five years, and Bucaram has returned to selling imported cloth in his Guayaquil store. Less fortunate politicians from the pre-coup era have been "confined" for indefinite periods in the jungle provinces.

Strikes and demonstrations by the National Teachers' Union, by university students, and by trade

¹¹ According to *Latin America* (October 11, 1974, p. 317) Jarrín was sent to London because of his sharp denunciation of United States President Gerald Ford's "imperialist threats" against petroleum exporting nations and because of his efforts to convene OPEC, of which he was president before his dismissal from the Cabinet, in order to formulate a response.

unionists from Quito and Guayas province have been a thorn in the government's side but by no means a dagger in its heart. Still, while he carefully avoids demagoguery, Rodríguez has fashioned neither a political party nor corporatist structures to help resolve conflicts, institutionalize his power, and link the masses to the governing elite.

How strongly is Ecuador's military committed to populism? With regard to coastal waters and petroleum policies, it has shown itself every bit as nationalistic as the Peruvians; indeed, it has driven a harder bargain with the oil companies than has the Lima regime. But in fields such as agrarian reform the similarities are essentially rhetorical; conflicts and cleavages within the conservative military have impeded rapid change, although a number of infrastructure projects have been funded. Ecuador's oil-propelled economic growth may sharpen expectations, create tensions, and give rise to political forces that may require General Rodríguez and his fellow officers—now relatively secure from opposition attacks—to choose between reform and repression. Resort to repression might compromise the image of honesty and competence that the armed forces are assiduously trying to cultivate.

Irrespective of its future political course, the army-dominated regime will leave an indelible mark on Ecuadorian society by diversifying the economy, strengthening the central government, and funneling resources to emerging coastal cities, Quito, and the sierra. Its accomplishments will depend on how astutely it can "sow" the revenues from its limited oil reserves, and how resolutely it can resist lavishing monies on the exotic weapons and Pharaonic monuments that lure other militaries. ■

ARGENTINA

(Continued from page 4)

that "what he proposed later became the Great National Accord" under former President General Alejandro Agustín Lanusse,⁷ which, according to the young terrorists, was "the integration of Peronism into the liberal system." They argued that since Perón's death the objectives of Aramburu and Lanusse had been achieved: the leadership of the government, despite its Peronist dress, was in the hands of foreign monopolies, great national enterprises and right-wing Labor (Vandorismo). (Incidentally, this analysis of

⁷ For a discussion of President Lanusse see David C. Jordan, "Argentina's Bureaucratic Oligarchies," *Current History*, vol. 62, no. 366 (February, 1972), pp. 70-75, 113-115.

⁸ The authenticity of Perón's letter has not been confirmed, but Aramburu's killers published it as if it were genuine and in this lies its political significance.

⁹ Albert Camus, *The Rebel* (New York: Vintage Books, 1956), p. 3.

the Montoneros lumps together both of the nation's nationalist traditions.) To bolster the Montonero argument, along with the account of Aramburu's death a letter from Perón was published, which was Perón's reply to a letter from Aramburu's slayers explaining the reasons for their *justicia revolucionaria*. Perón wrote:

I am completely in agreement and I praise you for all you have done. Nothing could be more false than [the allegation that] what you have done upset my tactical plans. . . .⁸

If the Montoneros were justified in killing Aramburu for what might have happened, as Perón agreed (and if what might have happened has in fact come about, as the Montoneros allege), then the Montoneros are also justified in their resolve to lead the "popular resistance against the imperialist offensive that has succeeded in occupying key government positions and putting them to the service of its [the imperialists] interests" even if the government they are taking up arms against is headed by Perón's widow. In short, opposition to or betrayal of an ideological tradition justifies murder, terror and violence. In *The Rebel*, Albert Camus posed the terrifying problem raised by this sort of thinking when he wrote:

We are living in the era of premeditation and perfect crime: our criminals are no longer helpless children who could plead love as their excuse. On the contrary, they are adults and they have a perfect alibi: philosophy, which can be used for any purpose—even for transforming murderers into judges.⁹

The socialist doctrine of left-wing Peronist extremists is quite different from the labor wing of Peronism and Perón's official doctrine. The youth-led left wing distrusts the state, fears the nation's overdeveloped bureaucracy, and seeks to promote independent producer organizations. The Montoneros and other terrorist sections of the left wing of the movement have carefully exploited the propagandistic and publicity value of the terrorist act and have developed the technique and practice of the insurrectionary act to an exceptional degree. They rely on well-organized and well-disciplined cadres who initiate action only after careful preparation and only whenever success seems likely. A few unions and their leaders have allied themselves with these young conspirators, and both unionists and youth apparently continue to hold great hope for revolutionary success through the general strike. Isabel's government has moved against these revolutionaries, and the government seems to be prevailing in the conflict. The so-called *Tendencia revolucionaria* of Peronism appears to be on the defensive.

Not too many terrorists have been associated with or identified as representatives of the Peronist center. Sometimes the Peronist trade unions, the state enterprises, the officer class of the military, and the CGE are

mentioned as the center's base. Recently, labor was considered to have moved into militant opposition to the Peronist left and to the social pact. Representing bureaucratic collectivism, labor organizations had been behind the social pact. In the government, the principal spokesman for the moderates was José Ber Gelbard; however, labor became disenchanted with him, and he has been replaced by Alfredo Gómez Morales, the former head of the Central Bank.

RIGHT-WING TERROR

Terrorism is also associated with the right wing of Peronism but no one knows for sure whom the right represents. It is possible that right-wing terrorism is organized through the state's security apparatus. The Argentine Anti-Communist Alliance, AAA, is the organization identified with right-wing violence.¹⁰ Even before Perón died, some 12 known militants of the Peronist left wing had been killed, leading some of the surviving Peronist extremists to join ERP. Since Perón's death, the anti-left terror has escalated, and death lists have been published. A number of prominent leftists have fled from the country or, like former President Hector Cámpora, who had been named Ambassador to Mexico by Perón, have decided not to return.

It would be extremely unfortunate if the police and the military became identified as the armed forces of the right. In a constitutional state, which Argentina is striving to be, the police and the army have the status and authority to maintain the peace and to deny legitimacy to any self-appointed and self-selected groups or individuals who break the law. If Argentina's collectivism cannot be tempered, if Argentina's ideologies cannot be moderated and if Argentina's terrorism cannot be abated, the nation will apparently continue to suffer under both authoritarianism and anarchy. ■

¹⁰ Recently, six prominent political assassinations were credited to the AAA: Redolfo Ortega Peña, a lawyer for the left-wing Peronist youth; Alfredo Curuchet, a left-wing union lawyer; Atlio Lopez, a former left-wing governor of Córdoba; Juan Varas, former assistant secretary of the economy; Julio Troxler, a former assistant police chief and gun runner for the Montoneros; and Silvia Frondizi (along with his son-in-law), a lawyer for ERP guerrillas.

CENTRAL AMERICA

(Continued from page 35)

hands of the international companies that dominate the world market, but has not yet retracted all her demands.

INTERNATIONAL RELATIONS AND IMPLICATIONS

It is useful and informative to examine the events that occurred during the past few years in each individual country. But it is also important to try to fit these happenings into a broader context, both regional and world-wide.

Despite drought and other natural calamities, and despite the long tradition of disproportionate economic dependence on a few unprocessed exports, the countries of Central America sometimes enjoy a favorable balance of trade over a year's time. This fact, and the virtual dissolution of the Central American Common Market, do not reflect a shift to economic isolationism. Rather, they are part of a widespread trend toward the realignment of nations. To be sure, the ideal of regional integration, which was cherished by some statesmen since the time of Bolívar and was sporadically achieved in the nineteenth century, seems to be unattainable. (Some would say that it is not worth striving for; others would say that people and institutions are not yet ready for it.) At the same time, countries are uniting in clusters in the hope of achieving more control over the prices they receive for their major exports. In this new pattern of economic freewheeling, Central Americans are taking bold steps in marketing—witness the large and profitable coffee sale while Brazil was holding back her coffee. A readiness to make bilateral trade agreements around the world is beneficial to each party, and tends to lessen the degree to which a country is subject to the vagaries of the world market, over which sellers of basic agricultural products have no control. In this connection, Central American countries are increasingly dealing with other countries in South America, Asia, or East Europe.

Just as the flow of commerce has altered significantly in recent years, so has the flow of technical and economic assistance. Japan, Argentina, Peru, and Venezuela are a few of the nations that are collaborating in various kinds of development projects in Central America, sometimes with investments larger than those of the United States.

Just as the role of the United States government has diminished throughout most of the area, the influence of "big business" from the United States is being challenged and perhaps curtailed. Thus several Central American governments individually withstood a variety of threats and other pressures on the part of the big banana cartels. "Economic imperialism" is not a thing of the past. But clearly the 1930's image of a foreign corporation as the controlling interest in a Central American state is no longer accurate.

In 1970, in a companion piece in the Latin American issue of *Current History*, I concluded sadly that the Central American nations "... epitomize the dilemmas of contemporary Latin America, which are also those of the entire Third World." In a similar effort in 1973, I likened the plight of these countries to that of Alice in Wonderland, having to run ever faster and faster just in order to stay in the same place. Natural forces have caused immense

human tragedy in this region in recent years, and many other tragedies have been wrought by other people. But today there are clear signs that economic and political abuses are at least less common, and often less severe, in Central America than they were even a few years ago, despite the fact that exploitation, antagonisms, and repression are harsh facts of daily life for too many Central Americans.

To many readers, those last few sentences may not sound at all encouraging. To "an old Central American hand," they are among the most optimistic statements that I have been able to make in recent years. ■

CHILE

(Continued from page 14)

right, busy enough with its own leftists, worry about Prats? The junta has killed so many Chileans, including military officers, that there seems no reason why it should have scruples about one more, especially one who could have played such a crucial role.

The major task of armed resistance in Chile was undertaken by the MIR (Left Revolutionary Movement). There were one or two bank raids, and even rumors of a deal with the air force over a cessation of hostilities and a release of prisoners. But the death of the MIR leader, Miguel Enríquez, in a gun battle in Santiago in early October, 1974, was a real setback.

The army has embarked on a process of increasing control and centralization. Even regional army commanders are less free to interpret Santiago's instructions (which some did leniently, others harshly). The universities and schools are tied into the state propaganda machine. There is no political debate, no free press, no free radio or television. There is little sign that the military has any intention of returning the country to constitutional rule. Its Declaration of Principles restated the main themes of the corporate state; its policies reenact some of the features of European fascism. Only the Church is allowed some liberty to criticize the regime. In an Independence Day sermon, Cardinal Silva Henríquez warned his congregation that a political system that despised individual liberties would inevitably fail. Among his congregation was General Pinochet. There is no sign that he took note of the Cardinal's words. ■

A NEW DIRECTION IN CUBAN SOCIALISM

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result of a reduced rate of capital accumulation and sugar production. Money incentives have been made more effective as a result of anti-inflationary policies.

Most significantly, these measures have greatly reduced the problem of labor scarcity that made the mobilization model so compelling.

The economic recovery is reflected in the limited available economic indicators.²¹ Gross domestic material production increased by 5 percent in 1971, 9 percent in 1972 and 13 percent in 1973. Industrial production has increased along a broad front, particularly in such important sectors as machinery, construction, and metallurgy, which rose 50 percent, 68 percent and 38 percent respectively between the first quarters of 1971 and 1972. The marketable supply of non-sugar agricultural food products was also greatly improved: between 1971 and 1973, sales of root vegetables increased 129 percent, fruits, 50 percent, and green vegetables, 67 percent.

Sugar production reflected the more moderate goals of the revolution and the problems of drought: 5.8 million tons in 1971, 4.5 million tons in 1972, 5.4 million tons in 1973. Despite these modest results, the sugar harvest has been better organized, with more efficient utilization of both capital and labor. Although only 15 to 20 percent of the harvest has been mechanized, an 80 percent goal is planned for 1980 and an extensive expansion and repair of milling capacity is under way. Most significantly for the short run, the world price of sugar has risen from 2.5 cents a pound in 1967 to over 42 cents in 1974. And long-term trade agreements with the Soviet Union have guaranteed Cuba at least 11 cents per pound. Thus, Cuba's foreign exchange earnings have improved and her trade with other non-socialist nations in Latin America and elsewhere has expanded. The pressures to lift the United States trade embargo and restore normal diplomatic and economic relations have increased and are likely to bring about the normalization of relations between the two countries shortly. Consequently, Cuba enters the second half of the 1970's with renewed confidence and optimism.

But socialism, as Che Guevara once suggested, is more than another method for economic development. "We are fighting against misery, but we are also fighting against alienation."²² Fidel Castro could confidently advise the leaders of the Third World that socializing poverty is preferable to capitalizing on it. However, it is open to question whether the new emphasis on work controls, labor discipline and worker productivity have obscured an alternative road to the socialist ideal—the path to worker control. ■

²¹ The most recent data on the Cuban economy comes mainly from Fidel Castro's speeches, *Granma*, *Direct From Cuba*.

The revival of statistical measurement should produce more regular and reliable data.

²² Introduction to Silverman, *Man and Socialism: The Great Debate*, p. 5.

THE MONTH IN REVIEW

A CURRENT HISTORY chronology covering the most important events of November, 1974, to provide a day-by-day summary of world affairs.

INTERNATIONAL

Cyprus Crisis

(See also *Cyprus*)

- Nov. 1—A resolution calling for the immediate withdrawal of all foreign military forces from Cyprus is submitted to the U.N. General Assembly.
- Nov. 13—*The New York Times* reports that Turkey has withdrawn about 5,000 of the 40,000 troops she has stationed on Cyprus.

Middle East Crisis

(See also *Intl, Oil Crisis, U.N.; Egypt; Israel; Jordan*)

- Nov. 5—Israeli Premier Yitzhak Rabin tells the Israeli Parliament that Israel cannot accept the Palestine Liberation Organization (PLO) as the sole legitimate representative of the Palestinian people and will not negotiate with Palestinian guerrilla groups.
- Nov. 13—Yasir Arafat, leader of the PLO, addresses the United Nations General Assembly in New York. Arafat says that the goal of his organization is a Palestinian state, "one democratic state, where Christian, Jew and Muslim live in justice, equality and fraternity."
- Nov. 14—Lebanese officials report the shelling of Nabatiye and other towns in southern Lebanon by Israeli artillery; 6 persons are killed.
- Nov. 17—Israeli Premier Yitzhak Rabin says that Israel has mobilized a "limited number of reserves" as a response to any possible Syrian aggression.
- Nov. 18—Demonstrators protesting in the former Arab section of Jerusalem in favor of Palestinian independence are controlled by special Israeli riot police and soldiers.
- Nov. 19—PLO leader Yasir Arafat arrives in Cairo to confer with Egyptian President Anwar Sadat after visiting the U.S. and Cuba.

Arab guerrilla terrorists stage a pre-dawn attack on the Israeli village of Beit Shean, killing 4 Israelis and injuring 19 others before being killed by Israeli soldiers.

- Nov. 25—4 Palestinian hijackers and 7 ransomed Arab guerrillas end their siege of a British jetliner and surrender to Tunisian authorities, freeing 3 hostage airline crewmen.

After meeting with Syrian President Hafez al-Assad in Damascus, U.N. Secretary General Kurt Waldheim says he expects a 6-month extension for the U.N. peace-keeping force in the Golan Heights area.

- Nov. 27—In Beirut, Lebanon, the PLO reports the detention of 26 persons on suspicion of involvement in the November 23-25 hijacking.

Oil Crisis

- Nov. 10—After a 2-day conference in Abu Dhabi, Saudi Arabia, the United Arab Emirates and Qatar lower their oil prices and increase the taxes and royalties paid by foreign oil companies. The actions appear to be self-cancelling with regard to lower oil prices.

Organization for Economic Cooperation and Development (OECD)

- Nov. 15—The 16-member International Energy Agency

of the OECD begins operations for the emergency pooling of energy resources.

Organization of American States (OAS)

- Nov. 8—The Organization of American States opens a ministerial-level meeting in Quito, Ecuador.

United Nations

(See also *Intl, Cyprus Crisis, Middle East Crisis*)

- Nov. 12—In a decision without precedent in United Nations history, the U.N. General Assembly votes 91 to 22 to suspend South Africa's participation in the current General Assembly session. Nineteen countries abstain from voting.
- Nov. 15—The U.N. Educational, Scientific and Cultural Organization (UNESCO) swears in Senegal's Amadou Mahtar M'Bow as its first black director general.
- Nov. 20—A Pakistani proposal for a South Asian zone free of nuclear weapons is approved 82 to 2 by the Political Committee of the General Assembly.
- Nov. 21—The U.S. tells the General Assembly that "Israel has a right to exist as a sovereign independent state within secure and recognized boundaries."
- UNESCO votes to exclude Israel from its European regional group because she has "altered the historical features of Jerusalem."
- Nov. 22—The General Assembly approves resolutions recognizing the right of the Palestinian people to independence and sovereignty, and giving the PLO observer status at the U.N.
- Nov. 28—By a 56-54 vote with 24 abstentions, the U.N. General Assembly votes to allow the Cambodian government of Lon Nol to retain its U.N. seat.

World Food Conference

(See also *U.S., Foreign Policy*)

- Nov. 5—The World Food Conference opens in Rome. U.S. Secretary of State Henry Kissinger proposes the establishment of 3 new international bodies; an "exporters' planning group, a food production and investment coordinating group, a reserves coordinating group."
- Nov. 6—Addressing the conference, Allen J. MacEachen, Canadian Secretary of State for External Affairs, pledges a 20-percent increase in Canadian food aid to famished nations during the next 3 years.
- Nov. 16—In the final day of its 11-day session, a negotiating group of the World Food Conference approves a new U.N. agency to be called the World Food Council, with headquarters in Rome, to give the world (and particularly underdeveloped nations) more and better food. The establishment of the agency is the only major accomplishment of the conference. Immediate and sufficient aid for the 460 million hungry people in the world was not forthcoming.

ALGERIA

- Nov. 12—The resumption of diplomatic relations between Algeria and the United States is announced simultane-

ously in Washington, D.C., and Algiers. Relations broke off in 1967 when the U.S. supported Israel in the 1967 Middle East war.

ARGENTINA

- Nov. 1—Alberto Villar, the federal police chief, and his wife are killed when a bomb planted on their cabin cruiser explodes.
- Nov. 4—Luis Margaride is named the new federal police chief.
- Nov. 6—In an attempt to combat the rising terrorism, President Isabel Martinez de Perón declares a national state of siege, which suspends all constitutional guarantees.
- Nov. 7—Terrorists kill army Major Hector Lopez in retaliation for the deaths of 16 guerrillas executed by the army in September.

AUSTRALIA

- Nov. 12—Prime Minister Gough Whitlam announces a reduction of taxes on personal incomes by 3 percent and on company incomes by 2.5 percent, effective at the beginning of 1975. Additional measures to help the economy include an increase in import duties on cars and the allocation of more funds for housing loans.

BOLIVIA

- Nov. 7—President Hugo Banzer Suarez and loyalist paratroopers put down an army rebellion in Santa Cruz. The Cabinet declares a state of siege.
- Nov. 9—The Cabinet of President Banzer resigns following the military's call for a new government and the indefinite postponement of the scheduled elections for 1975. The resignations come shortly after President Banzer has dismissed Housing Minister José Patino Ayoroa and placed him under house arrest on charges of leading the abortive coup.

BRAZIL

- Nov. 15—Elections are held to choose one-third of the members of the Senate and all the members of the Chamber of Deputies. Representatives for the state assemblies are also up for election.
- Nov. 17—With 30 percent of the votes counted, the government opposition party, the Democratic Movement, is leading in 16 of 22 states. The government party, National Renewal Alliance (Arena), will retain its majority in the Senate because only one-third of the seats were up for election.

CAMBODIA

(See *Intl, U.N.*)

CANADA

(See also *Intl, World Food Conference*)

- Nov. 18—Finance Minister John N. Turner submits the government's budget proposals to Parliament. Included is a plan to disallow the deduction of provincial royalty payments from federal taxes by oil and mining industries. The government plans to reduce individual income taxes and to aid the housing industry.
- Nov. 22—Minister of Energy and Mines Donald S. MacDonald announces a reduction of 10,000 barrels a day in the amount of oil sold to the United States. The government forecasts a complete phase out of oil exports by 1983. A predicted decline in production will leave the country short of oil until new sources come into production sometime in the 1980's. Canadian oil amounts to about 25 percent of the total oil imported by the U.S.

CHINA

(See *U.S.S.R.*)

CYPRUS

(See also *Intl, Cyprus Crisis*)

- Nov. 21—Acting President Glafkos Clerides announces that former President Archbishop Makarios will return to Cyprus to resume his presidency early next month.

EGYPT

- Nov. 14—In an address to the National Assembly, Foreign Minister Ismail Fahmy announces that unless Israel agrees to another major military withdrawal from the Sinai, Egypt will close the Suez Canal indefinitely to international shipping. The canal is expected to be cleared by spring.
- Nov. 20—4 Egyptian ships complete a trip through the entire length of the Suez Canal. They are the first civilian vessels to use the canal since it was closed nearly 7 years ago.

ETHIOPIA

- Nov. 22—The 120-man Provisional Military Council orders the arrest of Lieutenant General Aman M. Andom, who succeeded Emperor Haile Selassie; Aman is accused of refusing to order 5,000 troops moved to the northern province of Eritrea. The Council fears that the Eritrean Liberation Front secessionist movement is preparing for an offensive.
- Nov. 24—General Aman is among 60 former government officials and aristocrats executed by the military government. Former Premiers Endalkachew Makonnen and Aklilu Hapte Wold are also executed, as is Haile Selassie's grandson, Rear Admiral Alexander Desta. No mention is made of the fate of Haile Selassie. Most of those killed were arrested and detained in the last 7 months as part of the military government's anti-corruption drive.
- Major Mengistu Haile Miriam, head of the inner Cabinet within the military council, succeeds the late General Aman as leader of the Council.
- Nov. 25—The ruling military council puts the police and armed forces on full alert as a precautionary measure.
- The council also announces that 150 former officials, arrested on charges of corruption and maladministration, will be brought to trial before a 7-judge military court and a 3-judge civilian court.
- Nov. 26—Military leaders claim that Lieutenant General Aman Andom was not executed but that he died in a gun battle in his house when he refused to surrender.
- Nov. 28—Brigadier General Tafari Banti is elected chairman of the Provisional Military Administrative Committee, replacing Aman.
- Nov. 30—The military government announces that deposed Emperor Haile Selassie has turned over his personal and family fortune, estimated at \$1 billion, to aid the country's impoverished and drought stricken victims.

FRANCE

- Nov. 7—General Paul Stehlin resigns as vice president of the National Assembly and as a member of the Centrist party after making public his statement criticizing the French-built Mirage planes.
- Nov. 12—The major labor unions, the leftist French Democratic Federation of Labor and the Communist-led General Labor Federation, call for a 1-day strike on November 19. The unions accuse the government of refusing to

negotiate cost-of-living pay increases; the government is pledged to an austerity budget.

Nov. 28—Following a 6-week strike, union mail sorters vote to return to work; the French government reports that complete postal service will resume on December 2.

GERMANY, FEDERAL REPUBLIC OF (West)

Nov. 6—Chancellor Helmut Schmidt announces that the government will drop its 3-year-old austerity policy to aid the growing numbers of unemployed.

Nov. 7—The government announces an unexpected increase in the unemployment figures for October. There are nearly 672,000 workers out of jobs—3 percent of the total labor force. This is the highest rate in 6 years.

Nov. 10—Left-wing terrorists kill the president of West Berlin's highest court, Günter von Drenkmann. The police are put on a general alert.

GREECE

Nov. 1—The Athens Council of Appeal judges charge ex-President George Papadopoulos and 48 other military junta members with high treason.

Nov. 17—Free parliamentary elections are held for the first time in 10 years.

Nov. 18—Almost complete returns from yesterday's parliamentary elections show Premier Constantine Caramanlis's New Democracy party winning 54.5 percent of the vote. The New Democracy party now holds 214 seats in the 300-member Parliament. The Center Union-New Forces party, the party of the late George Papandreou, wins 20.4 percent of the total vote and 64 seats.

INDIA

Nov. 17—Planning Minister Durga Prasad Dhar resigns. Dhar has been under criticism for his 1974-1979 five-year plan.

Nov. 30—Pakistani and Indian government officials, meeting in New Delhi, sign an accord restoring trade between the 2 countries. Trade was halted during the 1965 Kashmir dispute.

IRAQ

Nov. 12—*The New York Times* reports that a radio broadcast from Baghdad has announced a shake-up in President Ahmed Hassan al-Bakr's Baath Socialist party government. 4 Cabinet members have been dismissed and 8 new members have been sworn in.

ISRAEL

(See also *Intl, Middle East, United Nations*)

Nov. 10—Finance Minister Yehoshua Rabinowitz announces new austerity measures, which include a 43-percent devaluation of the Israeli pound, higher taxes, import restrictions and increases in the prices of basic foodstuffs.

Demonstrators take to the streets in Tel Aviv to protest the measures announced by Rabinowitz. Police are called in to quell the rioters.

Nov. 11—The General Federation of Labor's executive board demands compensation for its workers because of the higher prices resulting from the devaluation of the pound.

Nov. 21—Israel deports 5 prominent Arabs from the West Bank of the Jordan River. Economic sanctions are imposed on the entire town of Ramallah.

Nov. 24—The government announces that it will set up an industrial center in the Israeli-occupied West Bank area

of Jordan. Factories and houses will be built on the 20,000-acre site. Development projects in Jerusalem will continue.

ITALY

Nov. 20—Premier-designate Aldo Moro agrees to form a Cabinet to replace the government of Mariano Rumor that fell October 3.

Nov. 23—Premier Moro presents President Giovanni Leone with a list of proposed ministers for his new Cabinet, who are drawn from the Christian Democratic party and the Republican party. Parliament will vote on the new Cabinet December 2. This is the 37th government since the end of World War II.

JAPAN

(See also *U.S.S.R.; U.S., Foreign Policy*)

Nov. 8—Premier Kakuei Tanaka returns from a 12-day trip to New Zealand, Australia and Burma.

Nov. 14—The Finance Ministry announces a trade surplus of \$110 million for the month of October. This compares with a \$435-million deficit in October, 1973.

Nov. 26—Premier Kakuei Tanaka submits his resignation to party leaders and the Cabinet. He will remain in office until his party, the Liberal-Democratic party, chooses a successor. Tanaka has been accused of making large personal monetary profits while Premier. Demands for his resignation came from within his own Liberal-Democratic party and from the leftist opposition.

JORDAN

(See also *Israel*)

Nov. 9—Parliament approves a constitutional amendment permitting King Hussein to dissolve Parliament and to wait 12 months before calling for new elections. In a speech on his return from Rabat, Morocco, King Hussein indicated that constitutional reform is necessary so that he can limit the kingdom to the East Bank of the Jordan River and remove West Bank personnel from the government. (See "Arab League," *Current History*, December, 1974, p. 280.)

Nov. 13—In another step toward reconciliation with the PLO, Hussein grants amnesty to 100 Palestinians who have been held political prisoners.

KOREA, REPUBLIC OF (South)

(See also *U.S., Foreign Policy*)

Nov. 6—A large anti-government Roman Catholic mass is held in Seoul to protest the nation's restrictive constitution.

LAOS

Nov. 1—Premier Souvanna Phouma returns from Paris after 10 weeks of recuperating from a heart attack. He is greeted by his half brother, Prince Souphanouvong, titular head of the Pathet Lao.

PAKISTAN

(See *India*)

PERU

Nov. 15—*The New York Times* reports that the military government last week asked U.S. Ambassador Robert W. Dean to send home the 137 Peace Corps members. Gov-

ernment-controlled newspapers link the expulsion of the Peace Corps members to dislike of the U.S. Central Intelligence Agency.

Nov. 19—The military government closes 2 magazines, exiles 10 journalists and detains 5 leading lawyers. The 2 magazines have recently been critical of the government's economic policies.

PHILIPPINES, THE

Nov. 3—The Department of Information announces a new presidential decree offering amnesty to all those who are regarded by the government as ideological subversives. The offer of amnesty is a further step in the government's attempt to reconcile all opposition groups—the church, the Muslim rebels, and the Communists.

Nov. 16—President Ferdinand E. Marcos proclaims that private ownership of all rice and corn lands will be limited to 17.3 acres. The 1 million tenant farmers who work the fields are now entitled to take steps toward eventual ownership of the land they farm.

PORTUGAL

Nov. 2—Meeting with a Portuguese delegation in Moscow, U.S.S.R. President Nikolai V. Podgorny offers Portugal economic assistance "with regard for available resources."

Portuguese Territories

ANGOLA

Nov. 12—The Secretary of State for Social Communications, Jorge Correia Jesuino, announces the establishment of a guerrilla commission to advise Portugal and the present colonial administration. The commission is established on the heels of the collapse of the Portuguese proposal for an interim coalition government, including guerrilla movements.

Nov. 16—African soldiers in the Portuguese army prepare to police the riot-torn slum districts of Luanda. Nearly 100 people are reported killed during the last week. The violence is blamed on fighting factions within the Popular Movement, a guerrilla movement.

SÃO TOMÉ

Nov. 26—Portuguese Minister of Interterritorial Coordination António de Almeida Santos signs an agreement transferring independence to São Tomé and Príncipe in July, 1975. The islands are off the coast of West Africa in the Gulf of Guinea.

SPAIN

Nov. 6—The SEAT automobile works, the country's largest industry, announces a 10 percent cut in its production schedule.

Nov. 16—José Antonio Girón de Velasco, former Minister of Labor, forms the Confederation of Civil War Veterans to oppose the government's forthcoming reform measures. The government is expected to allow political associations to organize and operate.

TURKEY

Nov. 29—In a no-confidence vote in Parliament, the 12-day-old government of Premier Sadi Irmak is voted out of office. President Fahri Koruturk, who had asked the independent Senator to form a Cabinet when the coalition efforts of former Premier Bulent Ecevit failed, accepts Irmak's resignation.

U.S.S.R.

(See also *Portugal; U.S., Foreign Policy*)

Nov. 2—In a speech marking the 50th anniversary of the Soviet Central Asian Republic of Kirghizia, Premier Aleksei N. Kosygin emphasizes Moscow's desire to extend "the process of détente to all areas of the world."

Nov. 5—In an address to the Political and Security Committee, Mongolia's delegate calls on China to accept a Soviet offer of a non-aggression treaty between Russia and China. Previous proposals have been ignored by Peking.

Nov. 10—*Tass*, the Soviet news agency, announces the appointment of Boris N. Chaplin as Ambassador to North Vietnam.

Nov. 14—*Tass* announces that an alternate member of the Politburo, Pytor N. Demichev, has been named successor to the late Ykaterina A. Furtseva as Minister of Culture. Demichev's appointment is seen as a tightening of controls by the party over cultural affairs.

Nov. 16—Soviet physicist Andrei D. Sakharov reports that the Soviets have held a series of trials in Armenia to crush a separatist movement. He claims that 11 people have been sentenced to prison for participating in the outlawed National Unity party of Armenia.

Nov. 19—5 nonconformist painters are allowed to exhibit their work in an annual show of the Moscow graphic artists' organization.

Nov. 23—The U.S.S.R., Japan, and 2 American oil companies agree to cooperate in a \$400-million exploitation of Siberian reserves of natural gas.

Nov. 25—Norway and the Soviet Union begin talks to define their disputed boundary in the offshore area of the Barents Sea. The area encompasses about 60,000 square miles and is believed to have extensive oil and gas reserves.

Nov. 26—General Secretary Leonid I. Brezhnev refers to a Chinese proposal of November 7 for a nonaggression pact as "totally unacceptable." The Chinese offer was contingent on Russian troop withdrawal along disputed borders. Brezhnev claims there are no disputed territories along the Soviet-Chinese border.

UNITED KINGDOM

Great Britain

Nov. 12—In the first budget message to Parliament since the October 10 elections, Chancellor of the Exchequer Denis Healey announces a tripling of the value-added tax on gasoline.

Nov. 13—The government announces that the trade deficit for the month of October was \$1.01 billion.

30 applications for price increases from oil companies are refused by the Price Commission.

Nov. 24—6 Northern Irishmen living in Birmingham are charged with responsibility for 2 explosions on November 21 that killed 19 people and injured 184. The Provisional wing of the Irish Republican Army has disclaimed any responsibility for the bombings.

Nov. 29—Parliament approves emergency legislation outlawing the IRA, giving the police extensive powers to combat terrorism, and restricting travel between England and Ireland.

UNITED STATES

Administration

(See also *Political Scandal*)

Nov. 1—General Alexander M. Haig, Jr., assumes com-

mand of U.S. forces in Europe, succeeding General Andrew J. Goodpaster, after serving in the White House for 6 years.

President Gerald Ford visits former President Richard Nixon for 8 minutes in the intensive care unit of Memorial Hospital in California.

Nov. 5—White House Communications Director Ken W. Clawson, a holdover from the Nixon administration, resigns, effective November 7.

Nov. 11—An agreement between the White House and special Watergate prosecutor Henry S. Ruth, Jr., is filed in federal district court as a joint motion: if approved by the court, the special prosecutor's office will have access to all of Nixon's records relating to cases under investigation by the special prosecutor's office. Ruth's approval must be secured before Nixon can take any records from the White House.

Nov. 12—President Ford withdraws his nomination of Andrew E. Gibson, former head of an oil transport company, to succeed John C. Sawhill as federal energy administrator.

Nov. 14—President Ford calls General George S. Brown, chairman of the Joint Chiefs of Staff, to the White House to reprimand him personally for his critical comments about the Jewish influence in Congress, the press and the financial world.

Nov. 16—The White House makes public a letter from Peter M. Flanagan, requesting the withdrawal of his nomination to be U.S. ambassador to Spain.

Nov. 20—The Justice Department files an antitrust suit in U.S. district court in Washington, D.C., against American Telephone and Telegraph Company, the world's largest privately owned corporation.

Nov. 25—President Gerald Ford names Wall Street management expert Frank G. Zarb to head the Federal Energy Administration; Zarb has been an associate director of the Office of Management and Budget.

In an antitrust suit filed in U.S. district court in New York, the Department of Justice accuses 21 major American publishing houses of suppressing competition and dividing the major portion of the world book market in concert with British companies.

Nov. 26—President Ford suggests that federal spending be cut by \$4.6 billion in fiscal 1975; the revised budget total is \$302.2 billion.

Nov. 29—President Ford grants unconditional pardons to 8 convicted civilian war resisters and conditional pardons to 10 other resisters.

Civil Rights

Nov. 8—Chief Judge Frank J. Battisti of the federal district court in Cleveland orders the acquittal of 8 former Ohio National Guardsmen in the 1970 Kent State shootings; he says the government prosecutors did not prove their case beyond "a reasonable doubt."

Economy

(See also *Labor and Industry*)

Nov. 1—The Labor Department's Bureau of Labor Statistics reports that in October unemployment increased to 6 percent of the work force.

Nov. 15—The Federal Reserve Board reports that its index of industrial production shows that the output of the nation's factories, utilities and mines declined in October by six-tenths of 1 percent.

Elections

Nov. 6—In yesterday's election, with all 435 seats in the House of Representatives contested, the Democrats gain at least 42 House seats, a 290-to-144 advantage, with 1 seat undecided. In the Senate, the Democrats win a 61-to-38 majority, a net gain of 3.

With the vote in Alaska undecided, Democrats gain 4 governorships, winning 27 of the 35 gubernatorial races. Unseating Republican incumbents, Democratic candidates win in New York, California, Massachusetts, Tennessee, Colorado, Wyoming, Arizona and Oregon. In Connecticut, Ella Grasso is the first woman to be elected governor of a state in her own right. Two black candidates, George L. Brown, in Colorado, and Mervyn Dymally, in California, win races for Lieutenant Governor. Independent James B. Longley wins the governorship in Maine. Democrats now hold at least 36 governor's chairs.

Nov. 22—Democratic incumbent Governor William A. Egan of Alaska asks for a recount after his Republican opponent, Jay Hammond, is declared the winner by 365 votes in the November 5 election. The recount must be completed by November 29.

Foreign Policy

(See also *Intl. World Food Conference; Algeria; Canada; Peru; U.S.S.R.*)

Nov. 9—Secretary of State Henry Kissinger returns to Washington after an 18-day, 27,000-mile trip to 17 countries.

Nov. 15—Saying that it "would have a bullish effect on the market," Secretary of Agriculture Earl L. Butz announces President Ford's refusal to allow the American delegation at the World Food Conference in Rome to commit the U.S. to a 1-million-ton increase in emergency food aid.

Nov. 19—President Gerald Ford is formally greeted by Japanese Emperor Hirohito as he begins a state visit to Japan.

Nov. 22—President Ford arrives in South Korea.

Nov. 23—The President begins to confer with Soviet Communist party General Secretary Leonid I. Brezhnev at a spa near Vladivostok.

Nov. 25—President Gerald Ford and Soviet party leader Leonid Brezhnev sign a communiqué; they agree, tentatively, to limit the number of all U.S. and U.S.S.R. offensive nuclear weapons through 1985. Details will be negotiated in Geneva in 1975.

Labor and Industry

(See also *Economy*)

Nov. 11—United Mine Workers' president Arnold R. Miller reveals that the miners intend to strike at one minute past midnight tonight. Complex negotiations have failed to resolve conflicts between the union and the Bituminous Coal Operators Association over safety hazards, sick pay, increased pension benefits and a cost-of-living wage escalation.

Nov. 19—The coal strike ends its 2d week; no settlement is in sight.

The Chrysler Corporation announces in Detroit that it will close or keep closed 5 of its 6 assembly plants through December, and into the first week of January, 1975; 35,500 workers will be temporarily furloughed and 8,400 more will be on indefinite layoff.

More than 16,000 Greyhound Bus Lines employees strike against the nation's largest intercity bus company. Greyhound carries 190,000 passengers daily.

Nov. 20—Metropolitan New York employees of United Parcel Service accept a 3-year contract and end an 87-day strike against the company.

Nov. 21—The General Motors Corporation reveals that it will lay off 30,000 workers at 9 of its 22 assembly plants for 1 or 2 weeks in December; this means that some 180,000 will be laid off at some time in December.

The Bethlehem Steel Corporation announces that it will lay off 2,600 workers next week. The Republic Steel Corporation and Youngstown Sheet and Tube Corporation also announce reduced operations to stretch their coal supplies.

Nov. 25—The Greyhound bus strike ends.

Legislation

Nov. 21—The House Ways and Means Committee clears the tax reform bill. Among other provisions, the bill includes a small tax reduction for almost 40 million low- and middle-income taxpayers and phases out the oil depletion allowance.

Voting 288 to 109 the House of Representatives completes congressional action on a 6-year, \$11.8-billion mass transit bill. The Senate passed the bill November 19 by a 64-to-17 vote.

The Senate votes 65 to 27 to pass the freedom-of-information bill over President Ford's veto; the House voted 371 to 31 to override the veto yesterday.

The Senate votes 90 to 1 to override the President's veto of a bill giving funds for vocational rehabilitation to the handicapped; the House voted 398 to 7 to override the veto yesterday.

Nov. 22—The House Judiciary Committee's subcommittee investigating the President's pardon of former President Richard Nixon votes 6 to 3 to close its inquiry.

The Senate Rules Committee votes unanimous support for the nomination of Nelson Rockefeller for the vice presidency. The House Judiciary Committee is now questioning Rockefeller.

Nov. 26—The President signs the \$11.8-billion mass transit bill.

The President vetoes a bill giving veterans an additional 23 percent in educational benefits.

Military

(See also *U.S., Administration*)

Nov. 8—Secretary of the Army Howard H. Callaway announces in Washington that former Lieutenant William L. Calley, Jr., who was convicted of murdering South Vietnamese civilians at My Lai, will be paroled on November 19 after serving one-third of his sentence.

Nov. 13—Army Secretary Callaway releases the Peers report that shows how the My Lai massacre was concealed by the military command structure.

Political Scandal

Nov. 1—Harold S. Nelson and David L. Parr, former leaders of the Associated Milk Producers, Inc., the nation's largest dairy farmer cooperative, are sentenced to 4 months in prison and fined \$10,000 by Judge George Hart in district court in Washington. The men were involved in illegal campaign contributions aimed at influencing White House and congressional milk price policies.

Nov. 8—Edward L. Morgan, former White House lawyer, enters a guilty plea in district court for the District of Columbia. He admits participating in a criminal conspiracy to back-date a \$576,000 tax deduction claim involved in the gift of former President Richard Nixon's pre-presidential papers.

Nov. 25—The prosecution in the Watergate cover-up trial in Washington rests its case.

3 doctors appointed November 13 by U.S. district court Judge John J. Sirica examine former President Richard Nixon at his San Clemente estate to ascertain whether or not his health would be endangered if he is forced to testify at the Watergate cover-up trial in Washington. Nixon left the hospital November 16.

Nov. 29—The 3 doctors appointed by U.S. district judge John J. Sirica to examine former President Nixon report that he is physically unable to testify in Washington, D.C., before February 16, and unable to testify by deposition at home before January 6.

Politics

(See also *Elections*)

Nov. 3—President Gerald Ford returns to the White House after a 16,000-mile, 20-state campaign in behalf of Republican candidates.

Nov. 15—The President says he will be a candidate for the Republican nomination for the presidency in 1976.

Nov. 21—Senator Walter F. Mondale (D., Minn.) withdraws from the race for the Democratic presidential nomination in 1976.

Nov. 23—Representative Morris K. Udall (D., Ariz.) announces that he will campaign for the Democratic presidential nomination in the New Hampshire primary.

VIETNAM, REPUBLIC OF (South)

Nov. 1—Retired General Duong Van Minh, an opposition spokesman, denounces the "violence-thirsty government" of President Nguyen Van Thieu. Buddhist leader Thich Tri Thu joins in the call for Thieu's ouster.

Nov. 8—44 Opposition legislators in the lower house of the National Assembly appeal in a written statement to the U.S. Congress to help stop the repressive measures of the Thieu government.

Nov. 9—Following the Vietcong's refusal to resume unconditional military and political talks, President Thieu offers to establish diplomatic relations under certain conditions with China, the U.S.S.R. and North Vietnam.

Nov. 14—The lower house of the National Assembly passes a bill giving President Thieu the power to confiscate objectionable issues of newspapers.

Nov. 16—The National Assembly approves a bill relaxing the ban on Opposition political parties.

Nov. 19—Opposition newspapers resume publication after a 2-day suspension to protest government censorship.

Nov. 27—3 Opposition deputies are refused permission to hold a demonstration on November 28. Protest organizers say they plan to go ahead with the march.

Nov. 28—Nguyen Van Hao becomes Deputy Premier for Economic Development and Ho Van Cham becomes Acting Information Minister in a Cabinet realignment.

YUGOSLAVIA

Nov. 21—The trial of 16 alleged terrorists begins in Zadar, in the Republic of Croatia. The terrorists are accused of belonging to a group called Hora, which is associated with the Croatian separatist movement known as Ustashi.



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